



cph

Annual Report **2019**

CPH Chemie + Papier Holding AG



Key figures

The CPH Group

in CHF thousand	2019	2018	2017	2016	2015
Net sales	524 657	533 543	469 767	434 835	420 046
Earnings before interest, taxes, depreciation and amortization (EBITDA)	87 994	83 121	33 761	36 935	12 222
in % of net sales	16.8	15.6	7.2	8.5	2.9
Earnings before interest and taxes (EBIT)	56 600	51 633	2 901	5 891	-21 818
in % of net sales	10.8	9.7	0.6	1.4	-5.2
Financial result	-5 647	-5 976	-6 604	-5 066	-12 101
Earnings before taxes and extraordinary items	50 953	45 657	-3 703	825	-33 919
Net result for the year ¹⁾	48 453	42 280	16 187	-7 714	-33 123
in % of net sales	9.2	7.9	3.4	-1.8	-7.9
in % of equity	11.0	10.4	4.1	-2.0	-8.2
in % of total capital	6.9	5.3	2.3	-1.1	-5.3
Cash flow	79 943	68 961	14 467	28 271	7 183
Investments in tangible fixed assets (gross)	21 888	22 299	32 314	20 720	21 922
Free cash flow ²⁾	139 926	-80 488	12 857	1 938	1 355
Adjusted free cash flow ³⁾	39 926	19 512	12 857	1 938	1 355
Balance sheet total ¹⁾	702 658	800 469	697 552	672 427	623 955
Fixed assets	436 017	447 172	455 307	450 304	436 922
in % of balance sheet total	62.1	55.9	65.3	67.0	70.0
Equity	441 289	407 144	396 245	380 782	402 706
in % of balance sheet total	62.8	50.9	56.8	56.6	64.5
Net cash	-29 502	-56 890	-73 071	-82 099	-80 175
Personnel at year-end	1 086	1 081	1 019	985	858

¹⁾ Including minorities

²⁾ Change in consolidated accounting principles for 2019; figure for 2018 restated

³⁾ Excluding (for 2018 and 2019) CHF 100 million fixed-term deposit of funds generated by bond issue of 12.10.2018, repaid 9.7.2019

CPH Chemie + Papier Holding AG

in CHF thousand	2019	2018	2017	2016	2015
Net result for the year	52 553	13 089	7 084	-8 371	-30 973
Equity	438 380	396 588	387 358	384 169	396 141

Per-share statistics

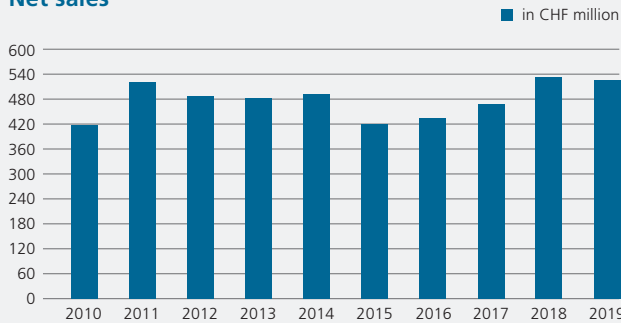
in CHF	2019	2018	2017	2016	2015
Share price					
high	88.50	89.00	57.30	42.20	59.90
low	74.00	54.00	39.00	29.80	30.00
on 31 December	79.20	82.50	53.55	40.00	31.40
Equity per share ¹⁾	73.56	67.87	66.06	63.49	67.12
Net result per share ¹⁾	8.06	7.05	2.66	-1.32	-5.52
Cash flow per share ¹⁾	13.33	11.50	2.41	4.71	1.20
Dividend per share ²⁾	0.00	1.80	0.65	0.65	0.60

¹⁾ Based on consolidated financial statements and excluding minorities

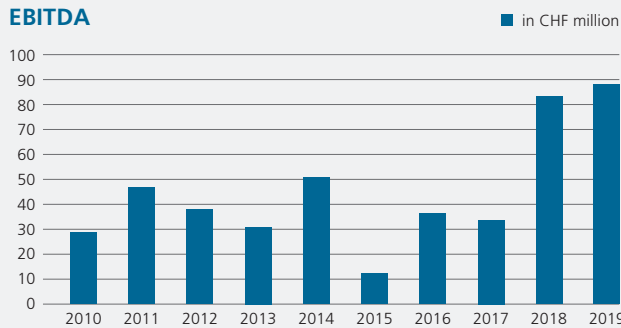
²⁾ For 2019, Board's recommendation: repayment (instead of dividend) of nominal value reduction of CHF 1.80 per share

At a glance

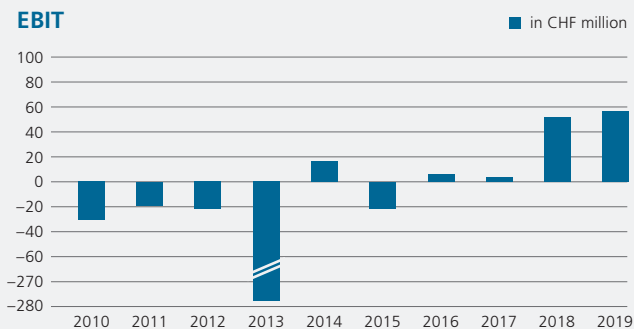
Net sales



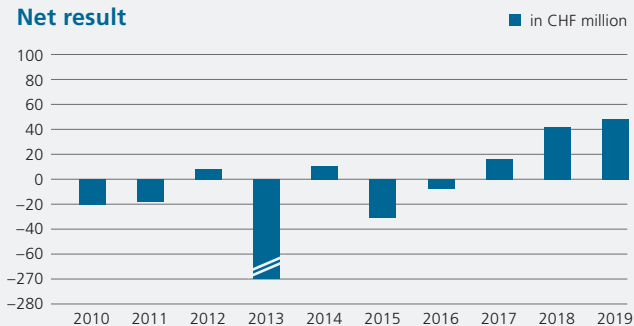
EBITDA



EBIT



Net result



The CPH Group

Business in 2019

- Very good results with record earnings at two business divisions
- Economic slowdown and pricing pressures dampen second-half sales
- EBIT margin raised through cost efficiencies and product mix
- Net result a further improvement on favourable prior-year figure

in CHF million

	2019	2018
Net sales	524.7	533.5
EBITDA	88.0	83.1
EBIT	56.6	51.6

Portrait

The CPH Group develops and manufactures chemicals, printing paper and pharmaceutical packaging films and distributes these worldwide. The diversified industrial group, which is headquartered in Switzerland, comprises three autonomous business divisions which maintain production facilities at 11 locations in six countries in Europe, Asia and North and South America. The CPH Group can look back on over two centuries of industrial tradition.



Chemistry

Business in 2019

- Favourable first half-year followed by a tangible decline in demand
- Net sales and EBIT margin both below prior-year levels
- Deuterated products and gels continue positive development trends
- Distribution network expanded in Brazil and the Middle East

in CHF million	2019	2018
Net sales	78.2	79.4
EBITDA	9.5	10.7
EBIT	4.4	6.1

Portrait

The Chemistry Division is a world-leading supplier in the silicate chemistry field. Trading under the Zeochem brand, the division manufactures and distributes molecular sieves for industrial and medical applications, high-value chromatography gels for use in the pharmaceutical sector and deuterated products for laboratory analyses and OLED displays. Zeochem maintains production facilities in China, the USA, Bosnia & Herzegovina and Switzerland.



Paper

- Declines in demand on Europe's paper markets
- Growing overcapacities and pricing pressures in the second half of the year
- Net sales and sales volumes show slight year-on-year declines
- EBIT margin further improved thanks to cost reductions

in CHF million	2019	2018
Net sales	293.2	301.1
EBITDA	54.5	50.9
EBIT	34.7	30.1

The Paper Division is Switzerland's sole manufacturer of newsprint and magazine paper and its biggest recycler of domestically recovered paper. The newsprint and magazine paper produced are largely exported, mainly to the Eurozone. These products, which are sold under the "Perlen Papier" brand and have been well established for decades in their various markets, are made from recovered paper and waste wood from sawmill and forest thinning operations.



Packaging

- Pharmaceutical markets showing moderate growth
- Net sales and EBIT margin raised thanks to greater shares of high-value products
- Double-digit growth in Latin America through new plant in Brazil
- Production further automated in the USA, Germany and Brazil

in CHF million	2019	2018
Net sales	153.2	153.0
EBITDA	23.7	21.6
EBIT	17.3	15.4

The Packaging Division of the CPH Group aligns its business primarily to the requirements of the pharmaceutical industry and is one of the world's three biggest suppliers of coated plastic films. The division's products, which are manufactured at locations in Switzerland, Germany, China, the USA and Brazil, are marketed under the "Perlen Packaging" brand and are used predominantly in blister packs to protect the medicinal substances these contain.

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Cover picture

At Perlen Packaging, PVC which cannot be reused is granulated and made into cores onto which the films produced can be rolled (see Page 18). For further examples of the CPH Group's actions and activities on the sustainability front, see Pages 10–11, 14–15 and 18–19 and the Sustainability Report from Page 38 onwards.

The CPH Group achieves another highly favourable net annual result



Peter Schaub (left) and Peter Schildknecht

Dear shareholder, dear reader,

Strategy to 2024 resolved

The Board of Directors of Chemie + Papier Holding AG resolved the CPH Group's new five-year corporate strategy to 2024 in the course of the 2019 business year. The CPH Group regards itself as a sound, diversified, well-balanced and profitable industrial concern with business divisions which autonomously serve and cultivate their respective markets. Each division strives to achieve either market or cost leadership in the markets concerned. Through leading technologies and innovative products, the CPH Group provides its customers with clear added value. The Group's divisions will increasingly focus on supplying high-value products and services in markets that permit sustainable value creation.

Divisional balancing continues

The European market for wood-based graphic printing paper continues to contract. The CPH Group's Paper Division is presently operating at the limits of its capacity. But expanding its current production volumes of newsprint and magazine paper is neither sensible nor feasible with the present facilities. One key group strategy aim over the past five years has been to reduce the Group's dependence on the Paper Division and strengthen the two further divisions. This objective will continue to be pursued: Chemistry and Packaging should substantially further raise their revenues and, by 2024, be jointly making a greater contribution than Paper to overall group sales. CPH's dependence on the Swiss franc has also been substantially reduced in the last few years, by developing

new manufacturing capacities outside Switzerland. The proportion of group costs that are incurred in Swiss francs should also continue to diminish.

Expansion of activities planned

The Group's Chemistry and Packaging divisions both occupy third place, with their sights set on second, in their respective markets worldwide. Chemistry is the most international but also the smallest of the Group's three divisions. In addition to mid-single-digit percentage organic growth, various strategic options are currently being examined to give it greater strength. The Packaging Division is aiming to generate high-single-digit percentage organic growth and expand the international dimension of its presence in the pharmaceutical markets. Both divisions pursue a strategy of differentiation and will be putting a particular emphasis on high-value items as they further develop their product ranges. They also plan to make further strategic investments in their production and distribution outside Europe, to strengthen their positions in the growth markets in Asia, Latin America and Africa.

The Paper Division pursues a volume-based strategy to ensure its long-term future in the predatory paper markets. The division seeks to be the cost leader in the Western European regional sales market. It is also Switzerland's biggest recycler of recovered paper and a major re-user of waste wood from sawmill and forestry thinning operations. The division is considering further expansion of its activities in the recycling field.

Sustainability in the spotlight

The CPH Group pursues a long-term-oriented corporate strategy whose sustainable approach has been proving its worth for more than 200 years in the markets it serves. The Paper Division sets benchmarks in the recycling economy, processing waste paper that has largely been recovered within Switzerland into new paper products. And sustainability is a key concern in the Chemistry and Packaging divisions, too. For further information, please see Pages 10–11, 14–15 and 18–19 and the Sustainability Report from Page 38 onwards.

A worsened economic environment

As 2019 progressed, darker and darker clouds filled the economic skies. The trade conflict between the USA and China escalated to ever-new heights, as each side imposed more import tariffs on the other. In Europe the discussions over Brexit entered their third year, and only at year-end did a way begin to take shape for the UK to leave the European Union in an orderly manner. Elsewhere, instead of normalizing its monetary policy, the European Central Bank announced a continuation of its zero-interest policy. The second half of the year also brought political unrest in large parts of South America.

The turbulence from these various sources had an increasingly adverse impact on general economic development in 2019: according to the International Monetary Fund, annual global GDP growth slowed to 2.9%. Asia's emerging markets posted still-impressive growth of 5.6%; but China's annual growth of 6.1% was the lowest the country had recorded since 1990. The South American economy showed zero growth overall as both Argentina and Venezuela fell into economic crisis. Economic growth for the Eurozone amounted to a still-reasonable 1.2%. The euro weakened against the Swiss franc in terms of average exchange rates for the year, declining from the CHF 1.155 of 2018 to CHF 1.112. The CPH Group made around 60% of its sales in the Eurozone, while simultaneously incurring some 40% of its costs in Swiss francs.

CPH Group reports solid sales trends

Utilization levels for the production facilities of the CPH Group were good for the first half of 2019, but then declined for all three divisions while pressures on sales prices increased. As a result, net sales – which had been up for the first six months – were 1.7% down for the year as a whole at CHF 524.7 million. Excluding currency factors, however, net sales were virtually unchanged from their prior-year level at –0.4%.

No acquisitions were effected in 2019. The acquisitions made in the previous year raised sales by 0.1%.

With all three divisions producing sales results close to their 2018 levels, their proportional contributions to overall net sales were similarly unchanged. The Paper Division accounted for 56%. Some 76% of the CPH Group's total net sales derived from its prime Europe sales region.

Net sales in CHF million

524.7

(prior year: 533.5)

EBITDA in CHF million

88.0

(prior year: 83.1)

EBIT in CHF million

56.6

(prior year: 51.6)

Net result in CHF million

48.5

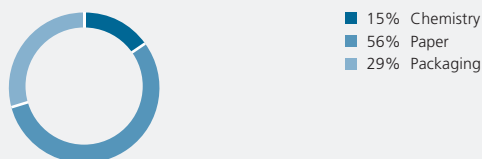
(prior year: 42.3)

Equity ratio in %

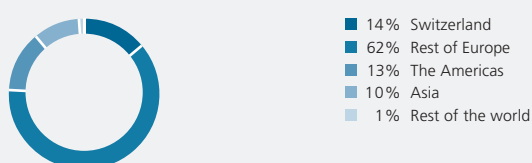
62.8

(prior year: 50.9)

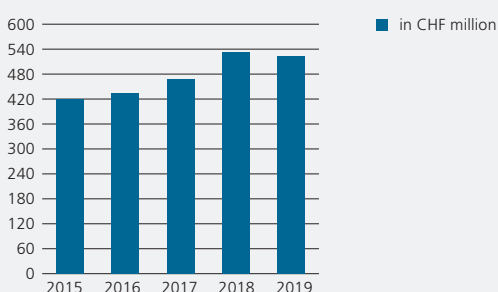
CPH Group net sales by division



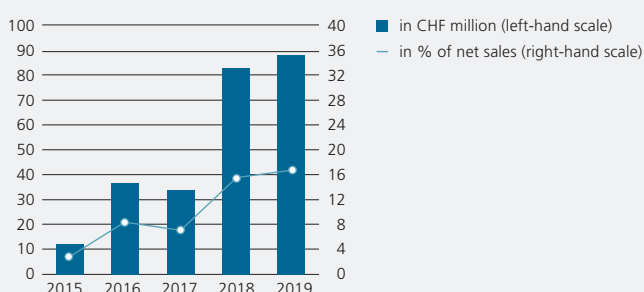
CPH Group net sales by region



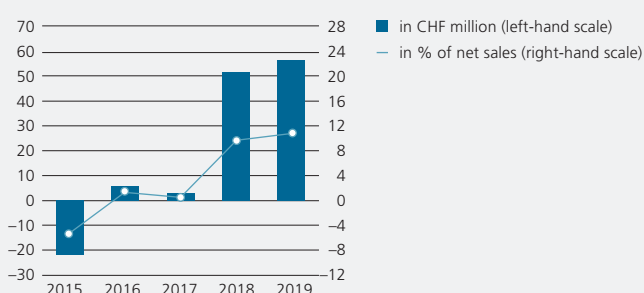
CPH Group net sales trends



CPH Group EBITDA trends



CPH Group EBIT trends



Consolidation in the Chemistry Division

Having reported rising sales and strong capacity utilizations for the first half of the year, the Chemistry Division saw a steep decline in its business volumes in the second-half period in a less favourable overall economic environment. The CHF 78.2 million net sales for the year were slightly below their 2018 level. Excluding currency factors, annual net sales showed a 1.6% decline. EBIT margin slipped to 5.6%. Sales of deuterated products and gels, however, remained strong throughout the year.

Rising pricing pressures in the Paper Division

The demand for press and printing paper in Western Europe suffered a further decline, and sales volumes for the Paper Division's newsprint and magazine paper products fell 4.3% to 517 165 tonnes. While higher paper prices helped raise sales in the first-half period, the growing industry overcapacities depressed these as the year further progressed, and Europe's paper production facilities were no longer fully utilized. Net sales for the Paper Division amounted to CHF 293.2 million, some 2.6% down on 2018 or 1.1% down excluding currency factors. The division's EBIT margin for the year was raised to 11.8%, however, thanks to a combination of increased efficiencies and lower energy and recovered paper costs.

Sales and earnings both up for the Packaging Division

The demand for medicines remained stable in Europe in 2019, while growth rates slowed in the emerging markets. The Packaging Division sold the same volumes of its films as it had the previous year. But the higher proportion of high-value films sold had a positive impact on the division's net sales for the year, which, at CHF 153.2 million, were a 1.7% increase on 2018 excluding currency factors. Net sales for Latin America saw double-digit percentage growth. Raw materials costs were slightly below their prior-year level, and the division's EBIT margin was improved to 11.3%.

Net group result improved

The CPH Group invested CHF 21.9 million in tangible fixed assets in 2019 to further enhance the efficiency of its facilities and processes. The Group generated a cash flow of CHF 79.9 million and a free cash flow of CHF 39.9 million (excluding the repayment of the CHF 100 million fixed-term deposit). The costs of the key production item of recovered paper declined in 2019, while the cost of materials was reduced from 50% to 49% of production-generated group sales. With workforce numbers rising only minimally from 1081 to 1086, personnel cost remained unchanged as a share of total group expense.

While sales declined, overall expenditure was reduced slightly more, and EBITDA rose to CHF 88.0 million, an improvement of 5.9%. After ordinary depreciation and amortization of CHF 31.4 million, the CPH Group reported consolidated earnings before interest and taxes (EBIT) of CHF 56.6 million for the year, which is a 9.6% improvement on 2018, and a double-digit EBIT margin of 10.8%. The financial result

was slightly down on 2018 at CHF –5.6 million. After the non-operating result and taxes, the Group posted a net result for 2019 of CHF 48.5 million, a 14.6% improvement on the previous year.

Repayment of CHF 1.80 per share through reduction in nominal value proposed

The Board of Directors will recommend to the Ordinary General Meeting of 17 March 2020 that the nominal value of the CPH share be reduced from CHF 2.00 to CHF 0.20, and that the reduction amount of CHF 1.80 per share be repaid to shareholders. The prior-year dividend distribution also amounted to CHF 1.80 per share, including a special dividend of CHF 0.50.

Outlook for 2020

The International Monetary Fund forecasts global GDP growth for 2020 of 3.3%, although the Eurozone is again likely to see weak growth of some 1.3%. Given the uncertain economic trends and the less-than-bright market prospects in the paper industry, the CPH Group expects its overall net sales for 2020 to fall short of their 2019 level. In view of the tough business prospects in the paper segment and of the currently unforeseeable ramifications of the coronavirus, the group-level EBIT margin could also suffer a sizeable decline. The Group expects to report a net result for 2020 (excluding the extraordinary income expected) of a lower double-digit million-franc amount. The Group also plans total investments of CHF 29.4 million in tangible fixed assets to further enhance efficiency.

Sincere thanks

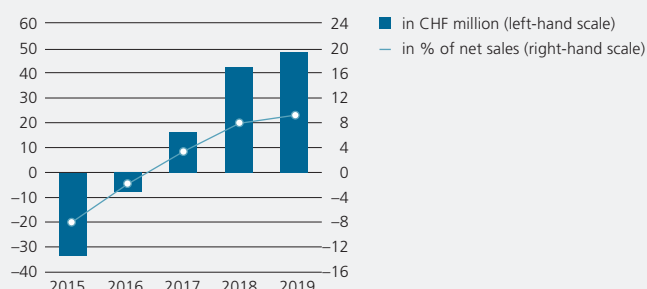
We would like to thank our employees for their invaluable work and commitment throughout 2019. A big thank-you also goes to our business partners for their long-standing loyalty to the CPH Group. And to our shareholders, too, we offer our sincere thanks for the trust and confidence they continue to place in our people, our management and our Board of Directors.



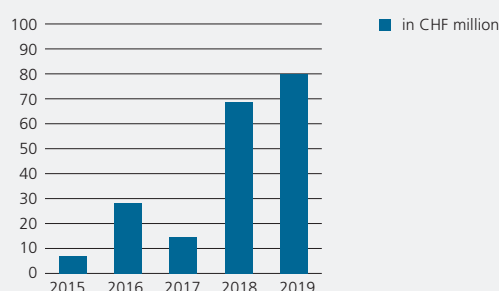
Peter Schaub
Chairman of the Board

Peter Schildknecht
Group CEO

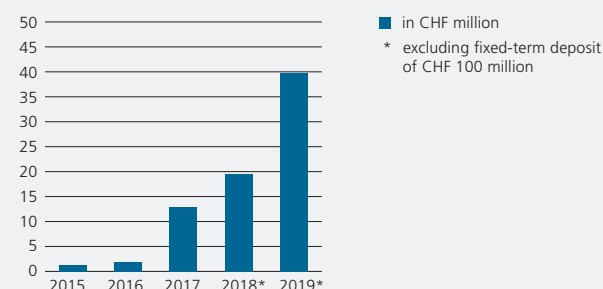
CPH Group net result trends



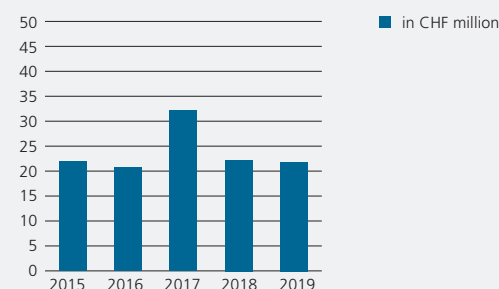
CPH Group cash flow trends



CPH Group free cash flow trends



CPH Group investments in tangible fixed assets

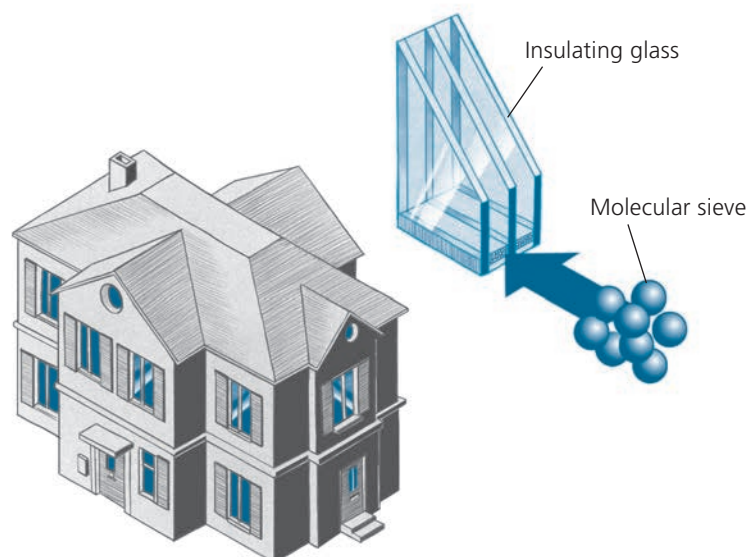
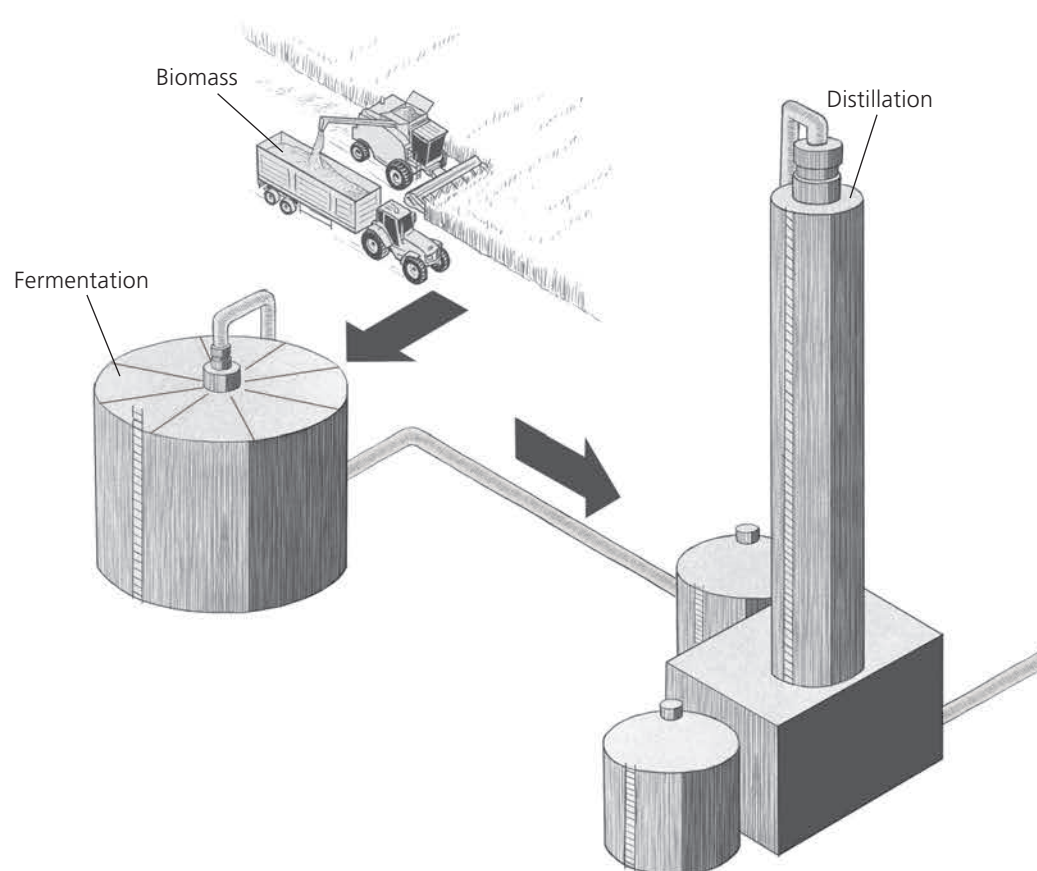
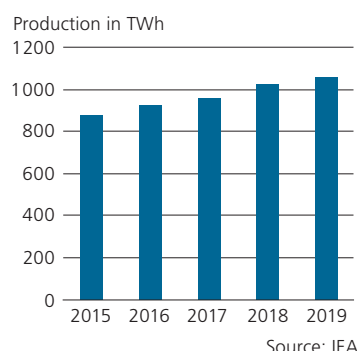


A natural sieve

Zeolites are aluminium-silicon compounds that are linked by oxygen atoms. This gives them a uniform porous structure that is able to adsorb molecules. These molecular sieves are used to separate and purify gases, and can be regenerated through heating. Zeolites are either naturally extracted or synthetically manufactured. The past few years have seen the Chemistry Division optimize its use of the resources required.

Bioethanol: energy that grows

Bioethanol is an ethyl alcohol that is extracted from biomass and biodegradable waste. As a biological fuel, it is increasingly replacing non-regenerable fossil energy sources. Ethyl alcohol is purified using molecular sieves.



Energy savings through insulating glass

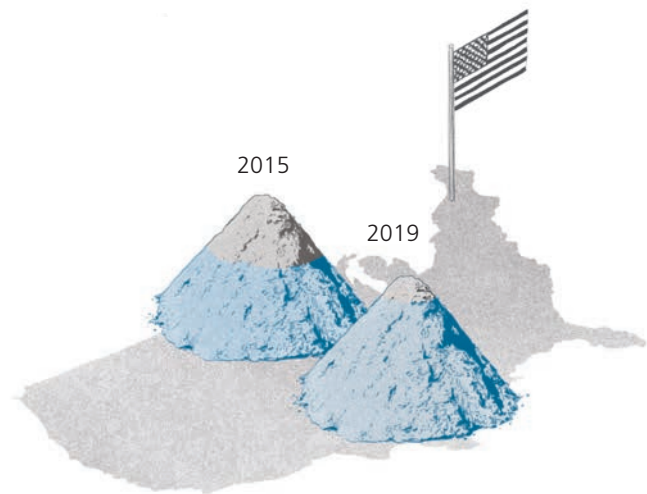
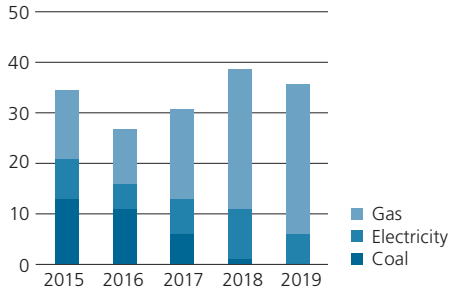
The success of insulating-glass windows is attributable to a large extent to molecular sieves, which adsorb any humidity between the two glass panes to prevent the window from misting. In Germany alone, 17 million simply glazed windows have been replaced with advanced insulating-glass alternatives, saving 8000 gigawatt hours of heating energy a year and thereby cutting annual carbon dioxide emissions by some 1.9 million tonnes.

Coal replaced by natural gas

At the division's production plant in China, acquired in 2016, coal has been replaced as the energy source by the more ecofriendly natural gas. Planning is also under way to provide the plant with a new waste water treatment facility.

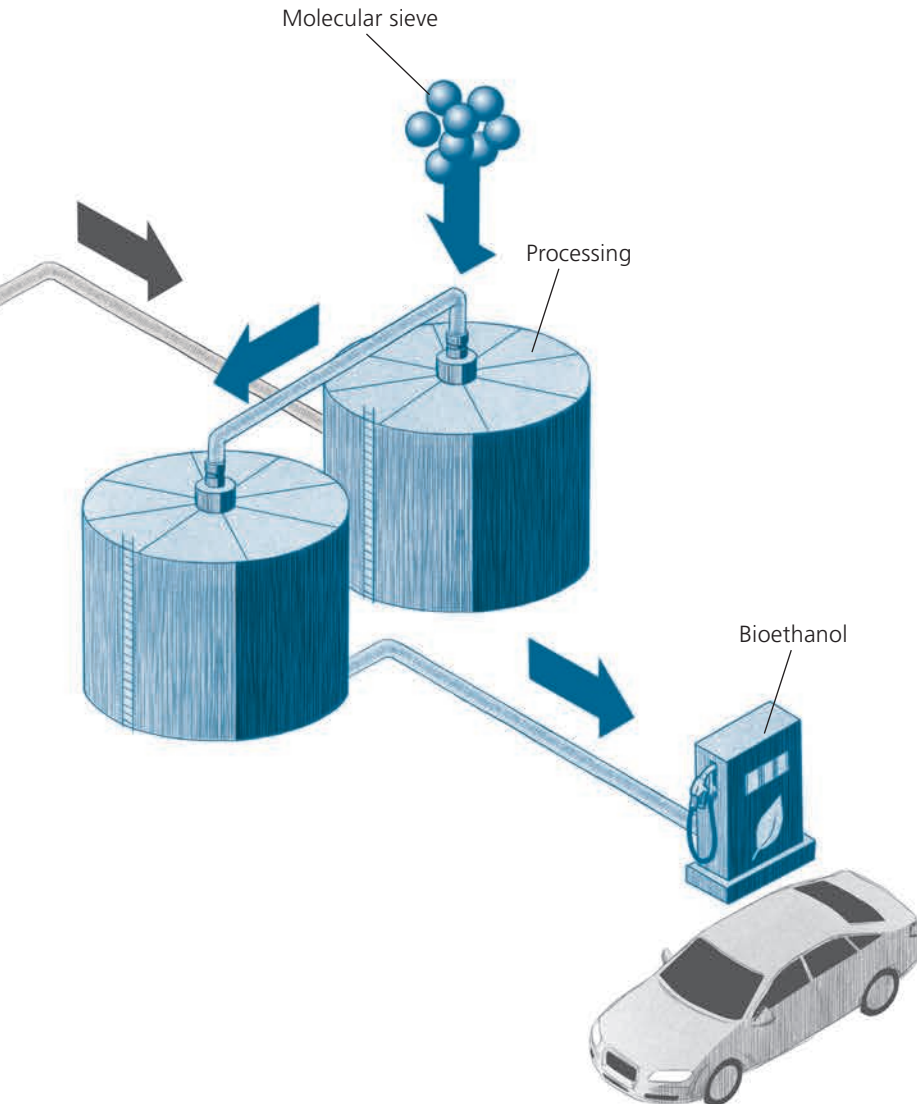


Energy consumption at the China site in GWh



Lithium use improved

The division's US production plant manufactures molecular sieves that are used to concentrate oxygen for medical and industrial applications. The plant has taken a range of actions to improve its utilization of the lithium required in the production process.



Less dust for better air

New filter facilities were installed at the division's Chinese and US production sites in 2019 to reduce dust emissions and protect employees and the environment alike.

Consolidation after successful repositioning



Following a favourable first half-year, a global economic slowdown and the US-China trade dispute tangibly dampened business at the Chemistry Division. Net sales for the year were slightly down at CHF 78.2 million, while EBIT margin stood at 5.6%.

Strategy

With production sites in Europe, the USA and China, Zeochem is one of the world's few truly global operators in the silicate chemistry sector, and one of its three market leaders. The status is the result of a five-year transformation process that was concluded in 2018 when the Swiss operations moved to their new Rütli premises. Each of the division's four production plants now has its own clear alignment. The Chinese facility manufactures standard molecular sieves which are used, for example, in industrial installations and energy generation to dry gases or remove sulphur and other impurities. The US plant specializes in high-value zeolites such as the silicon-based products used to concentrate oxygen for medical applications. The site in Bosnia and Herzegovina runs molecular sieve powder, chromatography gel and special zeolite product lines. Molecular sieve powders are added to plastics to adsorb odours, while chromatography gels are used in pharmaceutical separation processes. The Rütli site in Switzerland is home to the division's competence centre for deuterated products, which are employed in analytical procedures and increasingly in the manufacture of OLED screens.

Following its successful repositioning, the Chemistry Division will continue to focus on expanding its high-value product businesses. Parallel to this, opportunities will also be explored for increasing the division's relative weighting within the CPH Group. The division also expanded its distribution network in Brazil and the Middle East in the course of the year.

Market environment

The demand for molecular sieves in the energy and the medical sectors, for gels and for deuterated products all remained high in the first half of the year. The economic outlook grew decidedly cloudier, however, in the second half-year. The trade disputes between the USA on the one side and China and Europe on the other took their toll. The tariffs imposed on export goods had their impact on chemical products. The uncertainties also affected the mood in the capital goods industry, with investments in new installations shelved and the replenishment of molecular sieves in existing facilities deferred. The products supplied to the pharmaceuticals and consumer goods sectors were somewhat less affected.

Business development

The division's production facilities were predominantly well utilized in the first six months, with some of them operating at full capacity. First-half sales were raised accordingly, although margins already showed signs of growing pressure.

The business momentum declined markedly in the second-half period. Some of this trend can be ascribed to the broader economic uncertainties that were increasingly felt worldwide. Contracts were also lost as a result of the US-China trade dispute, whose resulting additional tariffs removed the appeal of product supplies between the two countries. The conflict has also affected internal product flows between the division's Chinese and US plants. In response to this, the US site has resumed producing small volumes of standard molecular sieves for the US domestic market. The division's deuterated product and gel businesses remained robust in the second-half period, and sales from these segments were further increased.

Taken overall, the negative trends seen in the second half of the year negated the positive developments of the first six months, and the net sales for the year of CHF 78.2 million were 1.5% below their prior-year level. Excluding currency factors, net sales for the year declined 1.6%.

In view of the signs by mid-year of weakening market demand, the division was cautious with its new investments. A total of CHF 3.5 million was invested in tangible fixed assets in 2019, largely in process enhancements. With capacity utilizations falling and pricing pressures rising, EBITDA for the year declined 11.4% to CHF 9.5 million, and the EBIT for the year of CHF 4.4 million was 28.1% below its prior-year level.

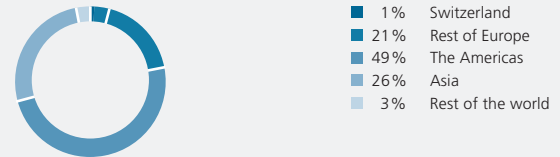
The division employed 287 persons at year-end, seven fewer than at the end of 2018.

Outlook

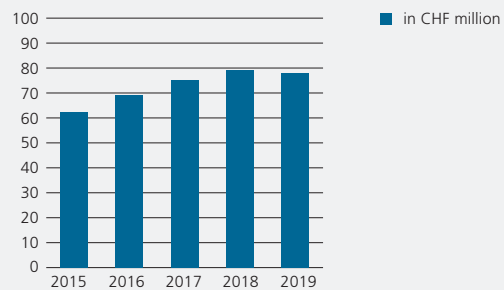
The demand for the products of the Chemistry Division is highly dependent on the overall investment climate. When economic growth slows, companies are reluctant to invest, and this has an immediate impact on the division's order books and sales.

For 2020 the division is cautiously optimistic. Prospects remain favourable, especially in the deuterated products segment. Some CHF 8.6 million of investments are planned in tangible fixed assets. Provided the economic picture does not darken further in the course of the year, the division expects to report a slight increase in its net sales in 2020 and a correspondingly improved EBIT result.

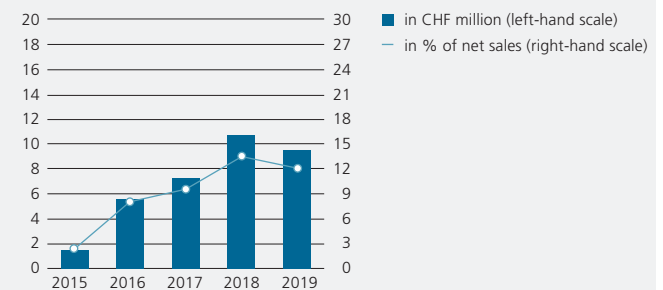
Chemistry net sales by region



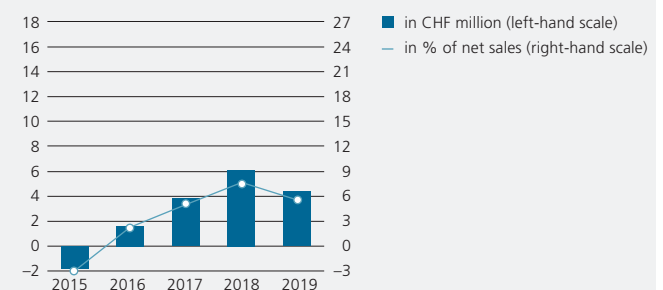
Chemistry net sales trends



Chemistry EBITDA trends



Chemistry EBIT trends



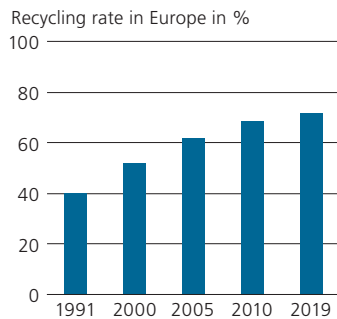
A recycler through and through

The Paper Division of the CPH Group manufactures newsprint and magazine paper from components consisting almost 85% of recovered paper which may be recycled up to seven times. Woodchips from forest thinning and sawmill waste provide the fresh fibres required. The papers produced consist of wood, an organic material, and are biodegradable. Perlen Papier holds the ISO 14000 environmental certification, and makes constant and extensive efforts to economize on resources, further lower its carbon emissions and bring even greater sustainability to its production activities.



Higher recycling rates for Europe's waste paper

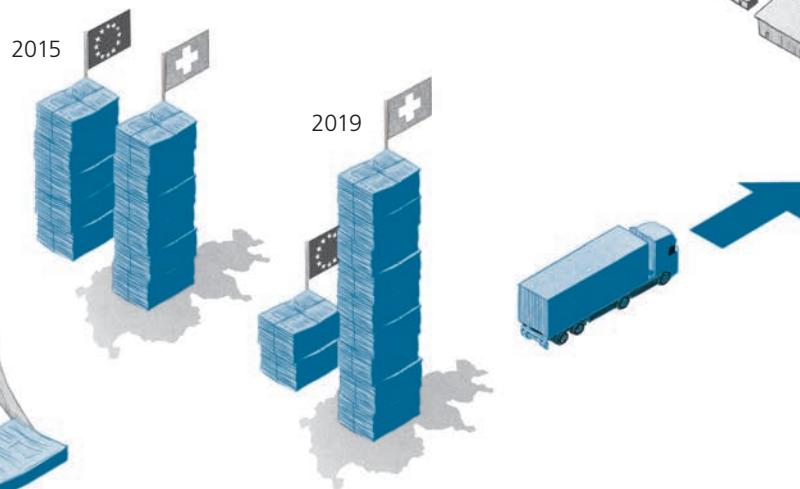
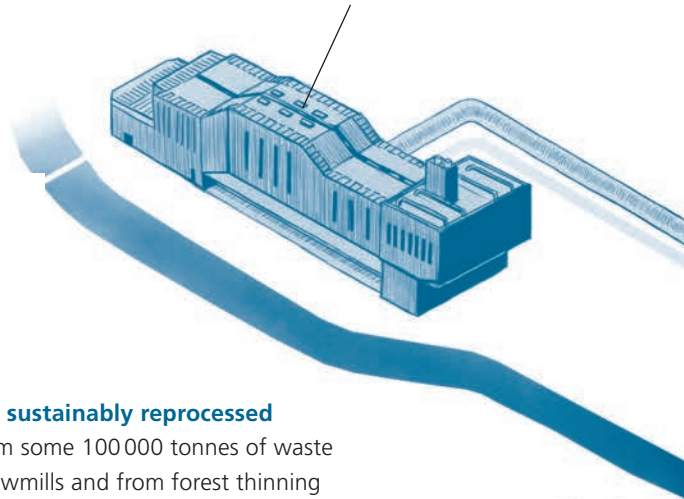
The proportion of waste paper which is recycled in Europe has risen from 40% to over 70% in the last 30 years. Perlen Papier plays a major role in the recycling of recovered paper in Switzerland.



Waste wood sustainably reprocessed

The fibres from some 100 000 tonnes of waste wood from sawmills and from forest thinning activities are processed in Perlen into new paper products. The majority of this wood is from certifiably sustainable Swiss forestry operations.

The Renergia waste incinerator



Most recovered paper domestically sourced

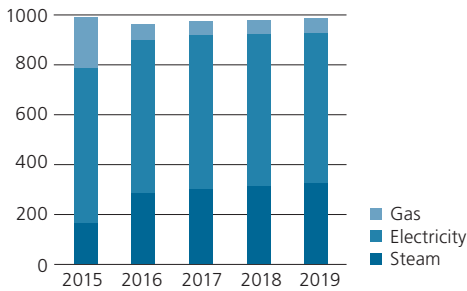
Perlen Papier is Switzerland's biggest recovered paper recycler. Some 75% of the 486 874 tonnes it used in 2019 was from domestic sources, meaning shorter transports and fewer carbon emissions.



Steam from ecofriendly sources

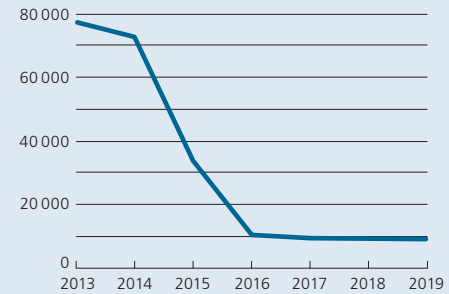
Perlen Papier has been obtaining the steam it requires to dry its paper webs from the adjacent Renergia waste incinerator since 2015. It has also been producing steam from paper product waste in its own biomass facility since 2017.

Energy consumption Perlen Papier in GWh



CO₂ emissions substantially reduced

The paper production in Perlen generated eight times less carbon dioxide in 2019 than it had in the peak year of 2013.

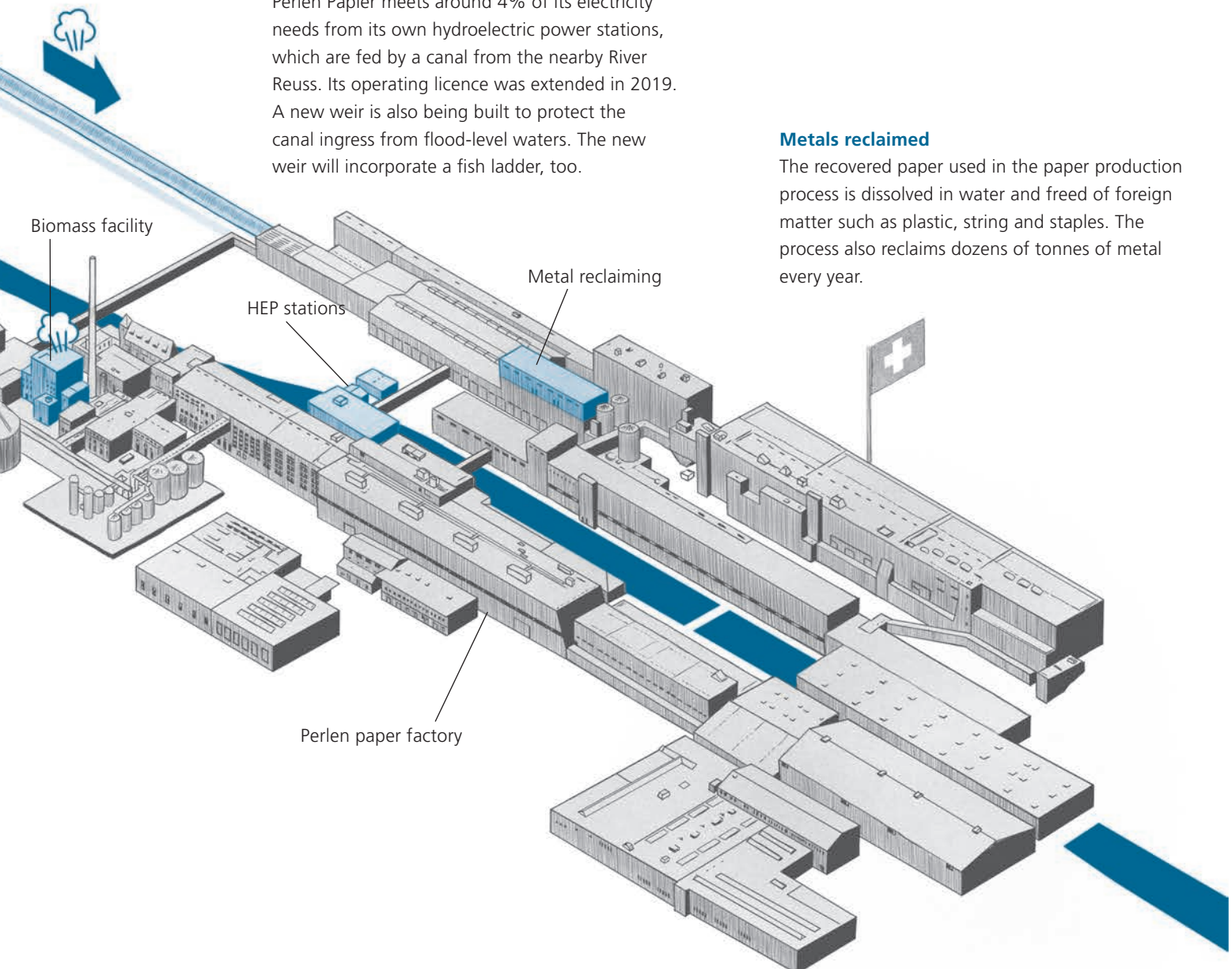


Energy from hydro power

Perlen Papier meets around 4% of its electricity needs from its own hydroelectric power stations, which are fed by a canal from the nearby River Reuss. Its operating licence was extended in 2019. A new weir is also being built to protect the canal ingress from flood-level waters. The new weir will incorporate a fish ladder, too.

Metals reclaimed

The recovered paper used in the paper production process is dissolved in water and freed of foreign matter such as plastic, string and staples. The process also reclaims dozens of tonnes of metal every year.



A solid EBIT margin despite rising pricing pressures



Growing overcapacities depressed the sales volumes of the Paper Division, whose net sales for the year of CHF 293.2 million were a 2.6% decline on their 2018 level. On a brighter note, EBIT margin was raised to a new high of 11.8%.

Strategy

The Paper Division operates in a predatory market of falling product demand. This creates overcapacities which are only later modified to meet the lower market needs. In the newsprint segment alone, demand in Western Europe has declined by 45% over the past ten years. Newsprint is a commodity, and the competition in its market is largely based on price. The Paper Division of the CPH Group must achieve and maintain cost leadership if it is to effectively compete – particularly since 80% of its sales market lies outside Switzerland, where its competitors are free of any currency movement distortion. With its PM 7, the division continues to operate Europe's most advanced paper machine, which outstrips its older counterparts in both its higher productivity and its lower running costs. The division operates two machines at its Perlen production site: the PM 7 is used to manufacture newsprint and the PM 4 produces magazine paper. The majority of the recovered paper used in the division's production has been obtained from within Switzerland since 2018, with the shorter transport journeys involved both reducing costs and easing environmental strain.

Sustainability is a cornerstone of business and operating strategy at the division's Perlen site, which, thanks to various actions taken in the last few years, is now almost carbon-neutral in its production activities. Perlen Papier recycles the majority of the waste paper that is recovered in Switzerland and, in doing so, plays a major role in minimizing the use of natural resources. It also operates its own paper sorting facility through its APS subsidiary, which ensures both operational flexibility and the consistently high quality of the waste paper used.

The division is also making major efforts to digitalize its core processes, to help customers and suppliers optimize their order handling.

Market environment

The European media market has been undergoing radical change for years. The volumes of printed newspapers have been steadily declining as both information and advertising have been increasingly offered and consumed via digital channels. The demand for wood-based graphic printing papers has fallen accordingly. Despite these trends, however, after 2017 had seen relatively large production capacities withdrawn from the market, some price increases were effected in the last two years.

The demand for newsprint declined a further 7.5% in 2019 to 4.3 million tonnes. The demand for wood-based coated magazine paper saw an even steeper fall of 11.7%, down to 3.4 million tonnes. No newsprint capacities were withdrawn from the market in 2019, and the magazine paper capacity reductions either effected or announced were effectively offset by the decline in demand. As a result, the pressures on prices substantially increased. Various suppliers, Perlen Papier included, responded by temporarily halting their production.

Recovered paper prices declined in the course of the year, as the volumes of waste paper available exceeded the paper factories' needs and Asian countries also substantially reduced their importing activities.

Business development

The Paper Division sold 517 165 tonnes of print paper in 2019, a decline of 4.3% from its prior-year volume. Of this total, 346 778 tonnes were of newsprint and 170 387 tonnes were of magazine paper. The division felt the benefit of higher paper prices in the first half of the year. These came under pressure in the second-half period, though, and the CHF 293.2 million net sales for 2019 as a whole were a 2.6% year-on-year decline. However, 1.5 percentage points of this were attributable to currency factors.

The division saw slight increases in its market share in Western Europe for both newsprint and magazine paper sales.

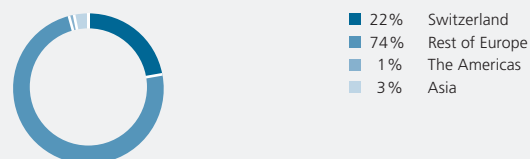
The efficiency of the division's production facilities was further improved thanks to total investments of some CHF 11.5 million over the course of the year. On the expenditure front, lower recovered paper and energy costs had a positive impact on the EBITDA result, which, at CHF 54.5 million, was 7.2% above its prior-year level. EBIT for the year amounted to CHF 34.7 million, giving the division a new record EBIT margin of 11.8%.

Year-end personnel numbers increased slightly, from 369 to 376.

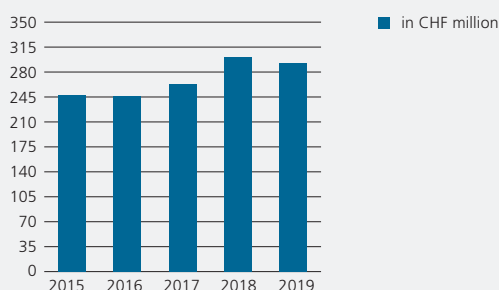
Outlook

According to industry associations' projections, 2020 is likely to see further declines of 6-8% in the demand for wood-based graphic papers in the Western European market. Given the existing market overcapacities, paper prices remain under sizeable pressure, and another wave of industry consolidation is to be expected. The Paper Division plans to make investments of CHF 9.9 million in the course of the year to further enhance its production processes. Net annual sales are likely to fall short of their 2019 level, though the division should still achieve another positive EBIT result.

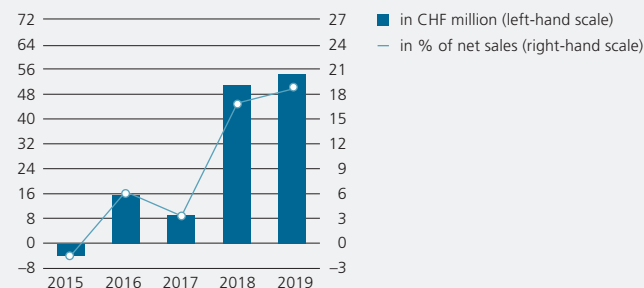
Paper net sales by region



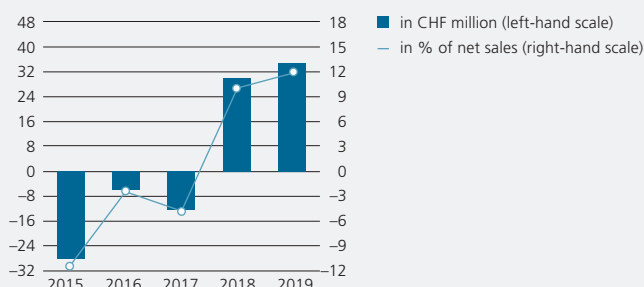
Paper net sales trends



Paper EBITDA trends



Paper EBIT trends



Easy to process and reusable, too

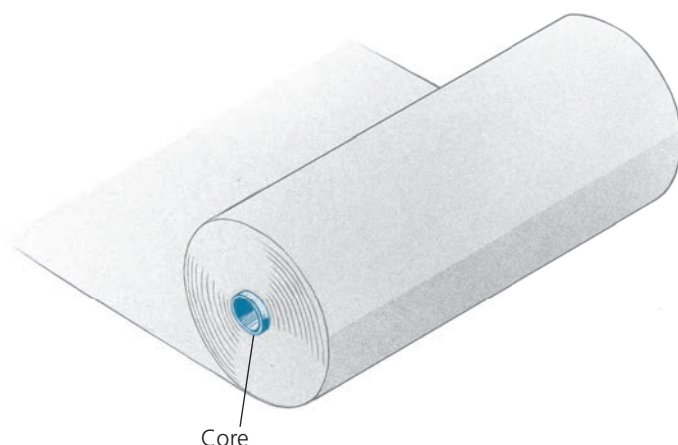
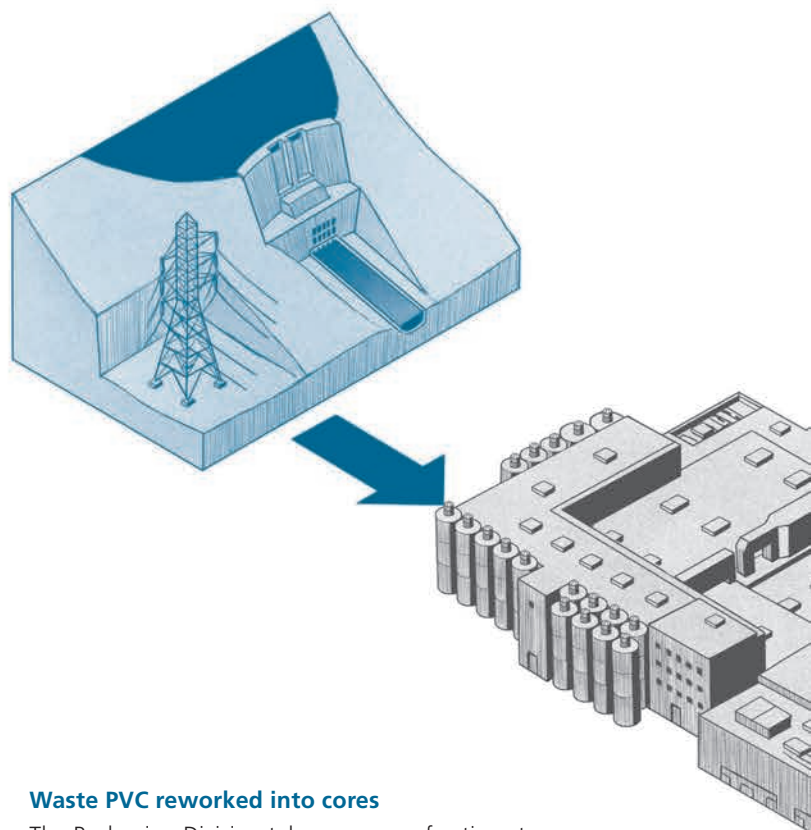
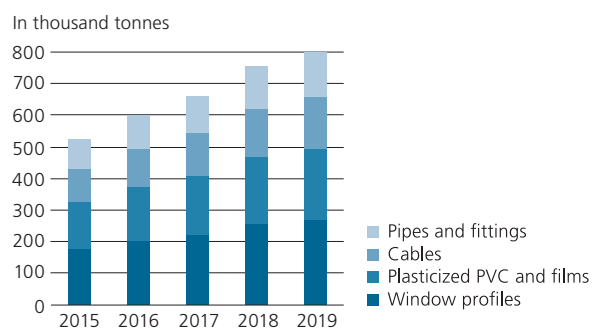


PVC is a resources-saving plastic whose basic raw materials are derived 57% from salt and 43% from oil. PVC is used in the pharmaceutical industry – always without plasticizers – to produce packaging for tablets and capsules. Plastic is preferred because it is chemically resistant, remains inert when in direct contact with medicinal agents and is easy to work and shape. The PVC is coated with PVdC to protect against humidity, and it can be easily recycled, too.



Vinylplus: promoting PVC recycling

Perlen Packaging has been a member since 2011 of “Vinylplus”, a Europewide industry initiative which has set itself the goal of recycling 900 000 tonnes of PVC by 2025.



Waste PVC reworked into cores

The Packaging Division takes a range of actions to maximize its PVC and PVdC utilization levels in the production of its films. Any waste PVC that cannot be reused in such production is reworked into cores onto which the films can be rolled.

2019 utilization rates

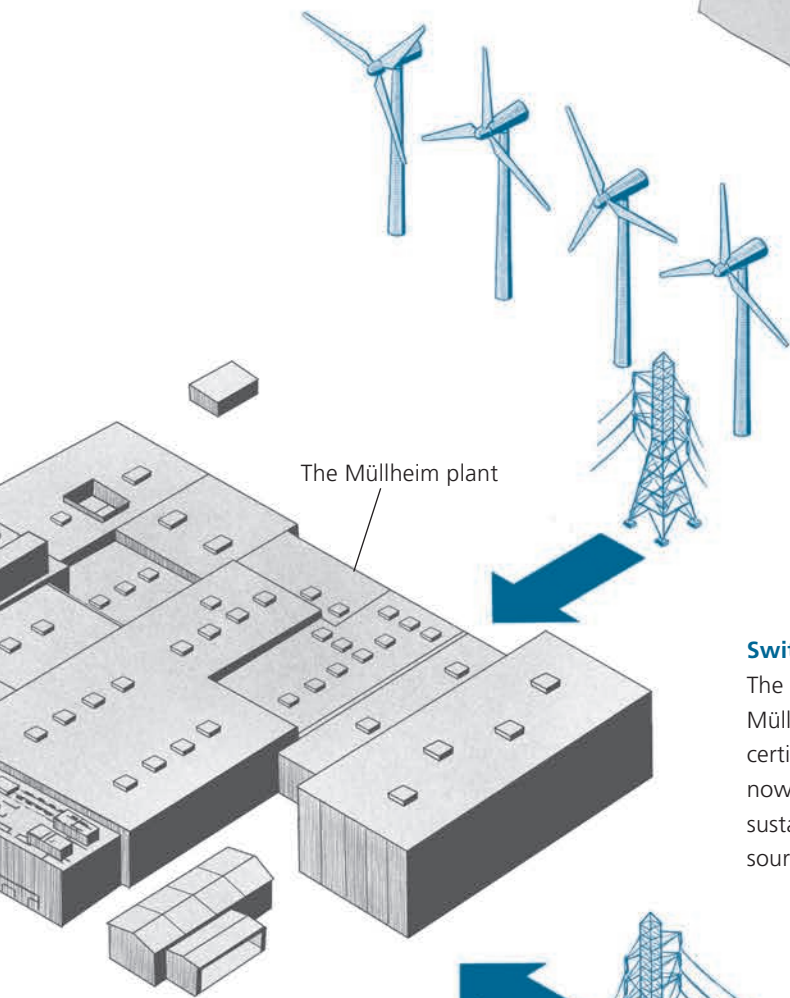
PVC 99%

PVdC 93%



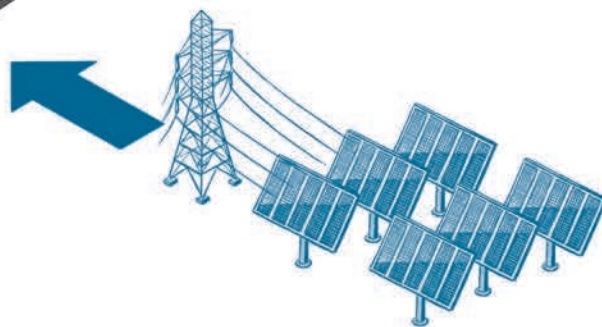
Teaming up to conserve the biosphere

The apprentices at Perlen Packaging spent a week in 2019 helping two Swiss mountain farmers in their daily work, joining forces to attend to the fields and the hedges in the steep terrain and thereby help conserve the look and the culture of the alpine landscape.



Switched on to "eco-power"

The division's production plant in Müllheim (Germany) has been ISO 50001 certificated for its energy use, and now obtains all its electricity from sustainably generated "eco-power" sources.



Packaging raises its profitability again



The Packaging Division achieved a further slight increase in net annual sales to CHF 153.2 million in a stable market environment. EBIT was improved by a more substantial 12.0% to CHF 17.3 million, and EBIT margin remained in double figures.

Strategy

The Packaging Division specializes in the production of pharmaceutical packaging films and is one of the world's top three suppliers of these in the markets concerned. Perlen Packaging offers a full range of PVC mono films and coated PVdC films, which are generally thermoformed to create blister cavities. These are then filled and the sheet is sealed with an aluminium lidding foil. The finished blister pack protects the tablets, capsules or liquids it contains.

Blister packs are the commonest form of packaging for solid dosage products in most pharmaceutical markets. One major exception here is the USA, the world's biggest pharmaceutical market, where tablets are traditionally largely supplied in bottles or tins. The advantages of the blister pack over bottle packaging are its simple and easy-to-monitor dosages and its better contents protection.

By adjusting the type and the thickness of the blister film and its coating, blister packs can also be provided with higher barrier credentials against outside influences such as oxygen or humidity. With the active agents in medicines becoming ever more complex and the medicines themselves growing increasingly global (and thus being

used in all climate zones), ever-greater demands are being placed on the barrier performance of their blister packaging. Perlen Packaging is a market leader in providing films with high-barrier specifications.

The division has developed a network of production and finishing plants in Europe, Asia and North and South America over the past few years in order to supply the globally active pharmaceutical industry with local packaging solutions. The division already has a strong position in the now-saturated European markets, and will be focusing in the next few years on expanding its activities in the growing markets of the emerging nations in Asia and Latin America. Having obtained its product licences for the local domestic market, the division's manufacturing plant in Suzhou can not only serve the other Asian markets, but will now be able to generate new business within China, too.

In addition to its existing blister films for solid and liquid medicines, the division has now also developed BLISTair, an innovative single-user inhaler for powder medications, whose various applications are currently being trialled.

Market environment

Health costs rose 5.7% worldwide in 2019, according to estimates from PricewaterhouseCoopers. The increases are attributable to a number of factors such as increasing life expectancies, growing affluence and the fact that more and more parts of the populations in the emerging markets now have access to health services. Medicines account for a large proportion of health sector costs. The growth in the healthcare market is being seen primarily in the emerging nations, while the pharmaceutical markets in the industrially developed countries are increasingly reaching saturation. Demand for medicines – and thus also for blister packs – stagnated in Europe in 2019. The competition here has intensified, too, as major rivals have increased their coating capacities.

Business development

The sideways trends in European pharmaceutical markets and the slower growth in Asian and Latin American countries both affected the volumes of films sold by the Packaging Division in 2019. But by raising the proportions of higher-barrier films within such sales, the division increased its net sales for the year 0.1% to CHF 153.2 million. Excluding currency factors, net annual sales were raised 1.7%. Investments for the year totalled CHF 6.9 million, and were focused on efficiency enhancements at the Brazilian, US and German plants. The productivity of the Chinese facility was also further improved. Year-end personnel numbers rose slightly from 413 to 416.

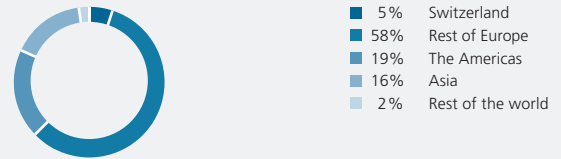
The slitting facilities at the new Brazilian operation were well utilized and net annual sales for the Latin America region saw double-digit percentage growth. Of the division's total net sales in 2019, some 37% were achieved in the growth regions outside Europe, compared to 35% the previous year. Within Europe, Perlen Packaging had a market share of 29%. No reliable market share figures are available for the division's other business regions.

The division further improved its annual operating results. EBITDA was raised 10.1% to CHF 23.7 million. And EBIT for the year was increased 12.0% to CHF 17.3 million, ensuring a further improvement in EBIT margin to 11.3%.

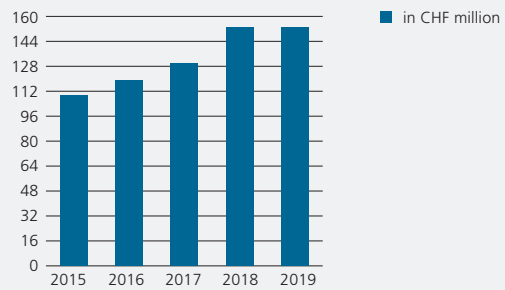
Outlook

The gloomier economic prospects in 2020 are sure to impact on pharmaceuticals, too. The growth in the demand for pharma packaging in the industrial nations is likely to be weak, and current industry estimates suggest global annual growth of 3-6%. In focusing on the emerging pharmaceutical markets and on producing high-barrier films, the Packaging Division is seeking above-market-average growth for the year. Investments of CHF 11.6 million are planned in tangible fixed assets. These will include replacing the present laminating facility in Perlen, providing additional slitting capacities in Perlen and Suzhou and raising supply flexibility. The division will be striving to achieve a further improvement in its annual EBIT result.

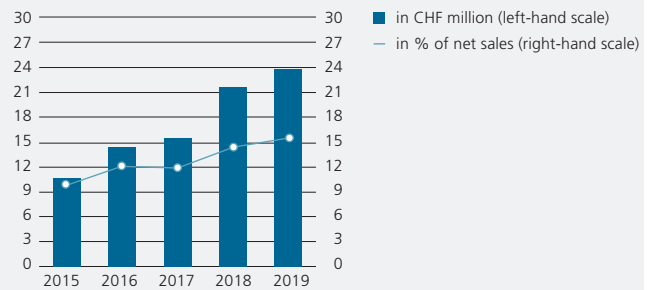
Packaging net sales by region



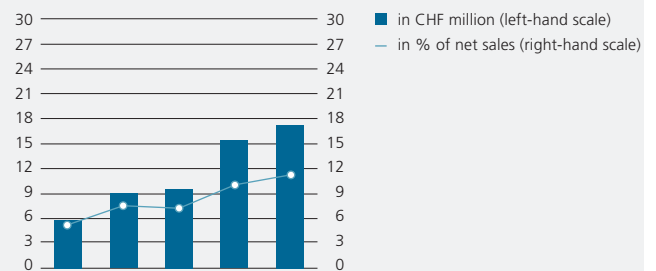
Packaging net sales trends



Packaging EBITDA trends



Packaging EBIT trends



Corporate Governance Report

Responsible corporate management and control in the interests of its shareholders, employees, customers and further interest groups are the foundation of the CPH Group's ability to sustainably create value through its business activities.

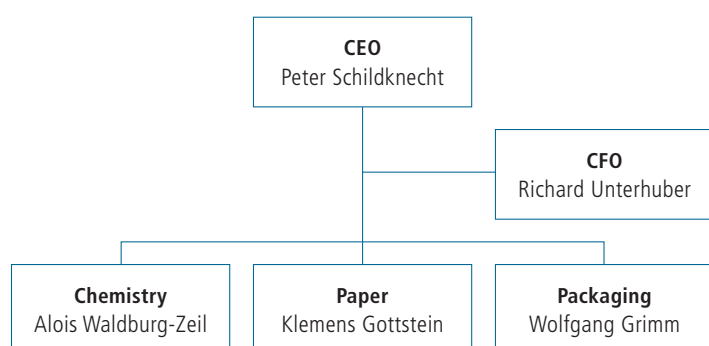
This section is structured in accordance with the corporate governance guidelines of the SIX Swiss Exchange. The CPH Group also aligns itself and its activities to the principles of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse, and applies these in a manner appropriate to its size and structure. For some items, reference is made to the consolidated financial statements from Page 46, and in particular to the additional corporate governance information in the annex to the consolidated financial statements from Page 68. This section is based on the Articles of Incorporation and the Organizational Regulations of CPH Chemie+Papier Holding AG, which are available (in German) for download at <https://cph.ch/en/investors/documentation/> under "Articles of incorporation, regulations and description of duties".

1 Group structure and shareholders

1.1 Group structure

The CPH Group consists of the three business divisions of Chemistry, Paper and Packaging, each of which acts and operates autonomously within its specific markets. The parent company CPH Chemie+Papier Holding AG is domiciled in Perlen/Root, Switzerland. An overview of the subsidiaries included in the consolidated financial statements is provided on Page 72. CPH Chemie+Papier Holding AG is the only stock exchange-listed company among those consolidated. Its registered shares (securities number 162471, ISIN CH0001624714) are listed on the SIX Swiss Exchange. Details of its market capitalization and further share information are provided in Item 9.3 "Information for shareholders" on Page 32. The CPH Group is headed by the Group CEO, while the divisions are headed by the Divisional CEOs. Group Executive Management consists of the Group CEO, the Group CFO and the Divisional CEOs.

Organization chart



1.2 Significant shareholders

No significant shareholdings were newly disclosed in 2019 in accordance with Article 120 of the "FinfraG" Financial Market Infrastructure Act. Earlier such disclosures may be viewed on the SIX Exchange Regulation website (<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=CPH>).

Shareholder structure (in %)	31.12.2019	31.12.2018
Uetikon Industrieholding AG	49.9	49.9
Ella Schnorf-Schmid	7.2	7.2
Sarasin Investmentfonds AG	5.0	5.0
Members of the Board of Directors and Group Executive Management (and related parties)	1.7	1.7
Publicly-held shares	31.8	31.0
Shares currently not listed in the Share Register	4.4	5.2
Total shareholders	911	923

Shares in Uetikon Industrieholding AG are held by the descendants of the founding Schnorf family. Ella Schnorf-Schmid is also such a descendant. CPH Chemie+Papier Holding AG Board of Directors members Peter Schaub, Tim Talaat and Manuel Werder also hold shares in Uetikon Industrieholding AG and represent the interests of the founding family's descendants on the Board. Their direct shareholdings in CPH Chemie+Papier Holding AG are shown under Note 28.2, "Transactions with related parties and companies" in the annex to the consolidated financial statements, Page 69. There are no shareholders' agreements between individual shareholder groups.

1.3 Cross-shareholdings

CPH Chemie+Papier Holding AG has no cross-shareholdings with any other company of more than 5%, in capital or voting rights form.

2 Capital structure

2.1 Capital

As specified in Article 3 of its Articles of Incorporation, the fully-paid-up share capital of CPH Chemie+Papier Holding AG amounts to CHF 12 000 000. This share capital consists of 6 000 000 registered shares each of CHF 2.00 nominal value (see also Note 28.1, "Capital structure" in the annex to the consolidated financial statements, Page 68).

2.2 Authorized and conditional capital

The CPH Group had no authorized or conditional capital as of 31 December 2019.

2.3 Changes in capital in the last three years

There were no changes in capital in the 2017 and 2019 financial years. In the 2018 financial year the nominal value of the CPH share was reduced from CHF 5.00 to CHF 2.00, with the reduction amount taken to capital reserves. This reduced share capital from CHF 30 million

to CHF 12 million (see Note 28.1, "Capital structure" in the annex to the consolidated financial statements, Page 68).

2.4 Shares and participation certificates

Every voting registered share entered in the company's Share Register entitles its owner to one vote at the General Meeting. There are no transfer or voting right restrictions. No participation certificates have been issued.

2.5 Dividend-right certificates

No dividend-right certificates have been issued.

2.6 Limitations on transferability and nominee registrations

Acquirers of registered shares are entered into the Share Register by the Board of Directors as shareholders with voting rights at the shareholder's request. The Board of Directors may refuse such entry, however, if the shareholder does not expressly declare that the shares concerned have been acquired in their own name and at their own expense, or if they make any false statement. No restrictions on share transferability are specified in the Articles of Incorporation.

2.7 Convertible bonds and options

The CPH Group has no convertible bonds outstanding and has issued no options to any persons within or outside the Group.

3 Board of Directors

3.1 Members of the Board of Directors

The Board of Directors of CPH Chemie + Papier Holding AG consists of at least three members. No Board member is currently active with the company in an executive capacity or has been so in the last three years. As of 31 December 2019, the Board of Directors comprised six members. The Board's composition remained unchanged from 2018.

Board member since	Function	Finance & Auditing Committee	Personnel & Compensation Committee
Peter Schaub	Chairman since 2010	Member	Member
Tim Talaat	Deputy Chmn since 2015		Member
Dr. Mauro Gabella	Member		Chair since 2010
Kaspar W. Kelterborn	Member	Chair since 2015	
Manuel Werder	Member	Member	
Christian Wipf	Member		Member

3.2 Professional background and other activities and functions

Peter Schaub

Lic. iur., attorney-at-law, born 1960 and a Swiss national; Chairman of the Board of Directors since 2010. Partner at Weber Schaub & Partner AG, tax and legal consultants, Zurich since 1994; Chairman of the Board of Directors of Scobag Privatbank AG, Basel; Chairman of the Board of Directors of Zindel Immo Holding AG, Chur; Chairman of the Board of Directors of Mobimo AG, Lucerne; Deputy Chairman of the Board of Directors of Uetikon Industrieholding AG, Uetikon; Deputy Chairman of the Board of Directors of UBV Holding AG, Uetikon; Member of the Board of Directors of Rüegg Cheminée Holding AG, Zumikon. Member of the boards of directors of various further unlisted companies, and trustee of various foundations.

1990–1993 tax commissioner at the Cantonal Tax Office, Zurich; 1987–1988 junior associate at the Schellenberg Wittmer law firm, Zurich.

Tim Talaat

MSEE and MBA, born 1960 and a Swiss national; Deputy Chairman of the Board of Directors since 2015. Majority shareholder and Chairman of the Board of Directors of Swiss Industrial Holding AG, Uetikon; Chairman of the Advisory Board of Single Holding GmbH, Hochdorf (Germany); Member of the Board of Directors of Bachofen AG, Uster.

2009–2015 CEO of Looser Holding AG, Arbon; 2007–2009 Managing Partner at Swiss Industrial Finance AG, Pfäffikon SZ; 2003–2007 CEO of SR Technics Switzerland and 1996–2003 Member of the SR Technics Group Executive Board, Zurich Airport.

Mauro Gabella

Dr. sc. nat., born 1952 and a Swiss and French national; chair of the Personnel & Compensation Committee since 2010. Chairman of the Board of Directors of The PME & Co, Luxembourg.

2012–2014 Chairman of the Board of Directors of Pharmalp SA; 2010–2011 Vice President Organizational Excellence & Project Management and 2006–2009 Vice President Central & Southern Europe, Sanofi-Aventis (now Sanofi), Paris; 2004–2006 General Manager Sanofi-Aventis (Switzerland) AG, Vernier; 1987–2004 various executive functions at predecessor companies to Sanofi-Aventis and MSD at several locations worldwide.

Kaspar W. Kelterborn

Lic. oec. HSG, born 1964 and a Swiss national; chair of the Finance & Auditing Committee since 2015. CFO and Member of the Executive Committee of the Conzzeta Group, Zurich since 2006; member of the boards of directors of various Conzzeta AG subsidiaries; Member of the Board of Directors of Suhner Holding AG, Brugg since 2019.

The Board of Directors

AS OF 31 DECEMBER 2019



From left: Mauro Gabella, Tim Talaat, Christian Wipf, Peter Schaub, Manuel Werder and Kaspar W. Kelterborn.

2002–2005 CFO and Member of the Executive Management of the Unaxis Group, Pfäffikon; 1996–2002 leading executive functions in finance and controlling both in and outside Switzerland for the Clariant Group, Muttenz.

Manuel Werder

Lic. iur. and LL.M., attorney-at-law, born 1974 and a Swiss national. Partner at Niederer Kraft Frey AG, Zurich since 2015; Member of the Board of Directors of Uetikon Industrieholding AG, Uetikon; Member of the Board of Directors of UBV Holding AG, Uetikon; member of the boards of directors of various further unlisted companies and trustee of various foundations.

2010–2015 Senior Associate at Niederer Kraft Frey AG; 2007–2008 secondment to Allende & Brea Abogados, Buenos Aires; 2004–2007 Associate at Niederer Kraft Frey AG; 2002–2004 Foreign Associate at Fox Horan & Camerini LLP, New York.

Christian Wipf

Lic. oec. HSG, born 1957 and a Swiss national. CEO of the Wipf Group, Brugg since 1997; Chairman and Delegate of the Board of Directors of Wipf Holding AG, Brugg; Chairman of the Board of Directors of Wipf AG, Volketswil; Chairman of the Board of Directors of Elco AG, Brugg and subsidiary companies.

2001–2007 CEO of Wipf AG, Volketswil; 1991–1997 Member of Executive Management of Seetal Schaller AG, Brugg; 1982–1991 various executive functions with Philips AG, Zurich and Philips Electronics Ltd, Montreal.

3.3 Statutory provisions regarding the number of activities permitted under VegüV Article 12, Paragraph 1, Section 1

Under Article 21 of the Articles of Incorporation of CPH Chemie+Papier Holding AG, members of the Board of Directors may hold up to 15 additional mandates, but no more than three such mandates at stock exchange-listed companies. Not included in the above calculations are:

- mandates at legal entities which control or are controlled by the company;
- mandates at associations, foundations or staff welfare institutions, of which every Board member may hold up to five;
- mandates at joint ventures in which the company is involved but which it does not control, of which every Board member may hold up to five.

A mandate is regarded as any activity performed by a member of the Board of Directors in the top management or administrative bodies of legal entities that are obliged to enter themselves in the Commercial Register (or a corresponding register abroad) and that neither control nor are controlled by the company. Mandates at multiple legal entities which are under common control are regarded as one single mandate. No member of the Board of Directors may hold more than the

maximum number of external mandates specified in the Articles of Incorporation.

3.4 Election and term of office

The dates of first election of the individual Board members are stated in 3.1 above. In accordance with Article 13 of the Articles of Incorporation of CPH Chemie+Papier Holding AG, Board members are elected individually by the Ordinary General Meeting to serve for a one-year period. They may be re-elected. A Board member's mandate will end at the latest at the Ordinary General Meeting of the year in which their 70th birthday falls.

3.5 Internal organizational structure

The organization of the Board of Directors is based on the law, the Articles of Incorporation and the Organizational Regulations. The last two of these may be viewed (in German) on the CPH website: <https://cph.ch/en/investors/documentation/> (under "Articles of incorporation, regulations and description of duties").

The Board of Directors meets as often as business demands, and at least five times a year. The Board is quorate as long as a majority of its members are present. Resolutions are passed by a simple majority of the votes cast. The Chairman also has a vote, and has a further casting vote in the event of a tie. The Board met seven times in 2019, for four half-day sessions, two full-day sessions and a two-day strategy meeting. The Board further undertook a two-and-a-half-day trip to the USA with visits to the CPH Group's Whippany and Louisville sites.

The Board's two-day strategy meeting is devoted to strategic issues and the medium-term development of the CPH Group and its divisions. The meeting is also attended by the full Group Executive Management and – for specific topics – members of the Divisional Management teams.

The Chairman of the Board or their deputy convenes board meetings, leads the discussions and ensures that appropriate minutes are kept thereof. The Chairman also represents the Board towards outside parties. The Chairman is the immediate superior of the Group CEO. Apart from this, the Chairman has no special powers or authorities unless these are delegated to them by the Board or the urgency of a situation requires an immediate decision to be made.

The Board of Directors has two permanent committees: Finance & Auditing and Personnel & Compensation. These committees each consist of at least three non-executive members of the Board of Directors. The members of the Finance & Auditing Committee meet at least three times a year, while the members of the Personnel & Compensation Committee meet at least twice a year. The committees take no decisions themselves: they primarily perform a preparatory and advisory function, helping the full Board to conduct its meetings more efficiently and take swift and well-founded decisions.

The Finance & Auditing Committee

The Finance & Auditing Committee consists of Kaspar W. Kelterborn (chair), Peter Schaub and Manuel Werder. The Group CEO and CFO also attend all committee meetings as permanent guests. The committee's tasks comprise in particular:

- evaluating the Group's financing and accounting systems in terms of their appropriateness, reliability and effectiveness
- examining the annual and half-yearly accounts and financial statements and other financial information intended for publication, and determining their guidelines, quality standards and content
- monitoring the assessment of corporate risks and the Group's risk management practices
- monitoring the Group's investment and hedging policies
- monitoring the Group's Internal Control System and its effectiveness
- monitoring the Group's business activities in terms of their observance and implementation of Board resolutions, company policy principles and directives and the relevant legal provisions, particularly those relating to stock exchange law
- assessing the work, performance, independence and remuneration of the external group and statutory auditors and making recommendations on the election of the same to the Board of Directors and the General Meeting, approving the auditing plan, processing audit reports and overseeing the adoption of the external auditor's recommendations
- monitoring the Group's real-estate strategy.

The committee met for three half-day deliberations and conducted one telephone conference in 2019.

The Personnel & Compensation Committee

The Personnel & Compensation Committee comprises Mauro Gabella (chair), Tim Talaat, Christian Wipf and Peter Schaub. The Group CEO also attends all committee meetings as a permanent guest, unless his own compensation or other topics relating to him are being discussed. The committee's tasks comprise in particular:

- devising guidelines for the CPH Group's compensation and benefit policy (in particular the compensation principles for the Board and Group Executive Management) on behalf of the Board of Directors
- submitting proposals to the full Board of Directors for the Board's compensation
- assessing the performance of the Group CEO and the further members of Group Executive Management and their achievement of their annual targets, and submitting corresponding proposals for their fixed and variable compensation to the full Board of Directors
- monitoring the implementation of the CPH Group's personnel and compensation policies along with groupwide salary developments
- making recommendations to the full Board of Directors on elections to its ranks and the appointment of a new Group CEO and/or further members of Group Executive Management, and on their terms and conditions of employment.

The committee met for three half-day deliberations and held two telephone conferences in 2019.

3.6 Definition of areas of responsibility

In accordance with Article 716a of the Swiss Code of Obligations, the Board of Directors has certain non-transferrable and inalienable duties. The authorities of and the collaborations between the Board of Directors, its committees and Group Executive Management are laid down in the Organizational Regulations (<https://cph.ch/en/investors/documentation/> under "Articles of incorporation, regulations and description of duties").

The Board of Directors has the following group-level duties:

- to determine the Guiding Principles and general corporate policy
- to determine the group structure, group policy, group objectives and general group strategy and define the strategic growth areas
- to formulate targets for operational key performance indicators, financing policy and investment returns
- to assign resources and decide on the use of funds within the Group
- to appoint the boards of directors of subsidiary companies
- to approve strategic collaboration agreements concluded by group member companies among themselves or with other companies
- to decide on entry into or withdrawal from key business segments
- to appoint and dismiss members of Group Executive Management
- to exercise supervisory authority over the group's management, particularly with regard to the observance of laws, the Articles of Incorporation, regulations and directives, and over the adoption of actions resolved
- to determine the remuneration principles for and the remuneration of the members of Group Executive Management
- to assess the risk management system and business risks.

For the business divisions, the Board of Directors has the following duties:

- to determine divisional objectives and divisional strategies
- to decide on the establishment or closure of operating sites and branch business operations.

The Chairman of the Board is in regular contact with the Group CEO to support them in their duties and in the implementation of business strategy. The Board of Directors supervises Group Executive Management through structured reporting and controlling processes. The Board receives a comprehensive monthly written report on current business trends, financial results, market developments, emerging risks and other key events. The Group CEO also reports on the latest business trends and performance and all further issues of relevance to the Group at every Board meeting.

Risk management

Being internationally active, the CPH Group is exposed to various financial and non-financial risks that are inseparably linked with its business activities. The risks are defined in the broadest sense as the danger that financial, operational or strategic objectives may not be achieved as planned. To ensure the Group's long-term success, therefore, it is essential to effectively identify such risks, to analyze them and to eliminate or reduce them through appropriate steering and management actions.

Assessment of significant risks at the end of 2019

The significant risks identified for the CPH Group as of the end of 2019 included the slowing of economic growth, the political and economic uncertainties deriving from the trade dispute between the USA and China, Swiss franc/euro currency trends and developments in paper prices. Actions have been defined to reduce these and other risks, and these are now being taken in close coordination with the strategic objectives of the Group and its three divisions.

Financial risk management (see table below)

By virtue of its business activities, the CPH Group is particularly exposed to financial risks such as currency risks, credit risks, liquidity risks and interest rate risks. Its overarching risk management is focused on the unforeseeability of developments on the financial markets, and

is geared to minimizing any potential negative impact on the Group's financial health. Risk management is performed by the Group's Finance Department, in accordance with the guidelines approved by the Board of Directors. These specify the use of derivatives and the handling of currency risks, interest rate risks and credit risks. The Board's guidelines are binding for all group member companies. The table below provides an overview of the financial risks, their description and their management.

Risk management organization

Financial and operational risk management are conducted within the Group in accordance with the principles and the guidelines laid down by the Board of Directors and Group Executive Management. The group and statutory auditors support the Board of Directors and its Finance & Auditing Committee in their performance of their legal mandate, by verifying the existence of the Group's internal control system (ICS).

Risk management principles

The Group's risk management principles guide the regular assessment of operational and strategic business risks, the hedging of currency, interest rate, credit and liquidity risks and the internal control system (ICS). Guidelines have also been established for the management of liquid funds and loan procurement activities.

Financial risks overview

Risk	Description	Management
Currency risks	Being internationally active, the CPH Group is subject to currency risks that can impact on operating and financial results and on group equity. The euro and the US dollar are the Group's main foreign currencies.	<ul style="list-style-type: none">– Wherever possible, the payment flows within the Group's divisions are naturally hedged by procuring goods in the same currency in which products are sold.– Currency risks are reduced through the use of derivative financial instruments.– Foreign currency risks relating to the book values of the net assets of subsidiaries outside Switzerland or to translations of the results of such subsidiaries are not currently hedged.
Interest rate risks	Interest rate risks may arise from changes to future interest payments as a result of fluctuations in market interest rates and through interest-related risks arising from changes in market value.	<ul style="list-style-type: none">– The CPH Group has no major variable-interest assets or liabilities that would be substantially impacted by major changes in the interest rate environment.
Credit risks from business operations and financial transactions	Credit risks consist in the possibility of suffering financial loss should a customer or counterparty fail to fulfil their contractual obligations. Credit risks may derive from receivables, financial investments, credit balances with financial institutions, securities held and/or derivative financial instruments.	<ul style="list-style-type: none">– Regular monitoring of independent ratings of financial institutions.– Further reduction of any risks to liquid funds by maintaining these not at a single bank but at various financial institutions.– Reducing cluster risks for receivables and financial assets by maintaining a broad geographical spread and large numbers of customers.– Monitoring the creditworthiness of customers through past experience and specific checks.
Liquidity risk	A liquidity risk derives from the possibility of being unable to meet financial obligations when these become due for payment.	<ul style="list-style-type: none">– Prudent liquidity management includes retaining adequate reserves of liquid funds and permanently monitoring these, and maintaining credit line options.

Group Executive Management

AS OF 31 DECEMBER 2019



From left: Richard Unterhuber, Klemens Gottstein, Peter Schildknecht, Wolfgang Grimm and Alois Waldburg-Zeil.

Risk overview

The regularly identified and analyzed risks are summarized in an annual Risk Report which is submitted to the Board of Directors and is compared with the insurance coverage currently held. The significant business risks are also defined in a detailed risk catalogue and a risk matrix, and are assessed in terms of their likelihood of occurrence and the scope of the damage they could cause.

Reporting

The Group's risk management is reported on annually. Strategic and operational risks are recorded. Any extraordinary incidents are reported immediately to the Board of Directors. In the Board's opinion, with the risk management established, the actions required have been taken to ensure the CPH Group's further development, although the possibility can never be excluded of unforeseen risks arising as a result of special circumstances or uncertainties.

4 Group Executive Management

4.1 Members of Group Executive Management

As of 31 December 2019 Group Executive Management comprised:

Name	Function	Held since
Dr. Peter Schildknecht	Group CEO	2009
Richard Unterhuber	Group CFO	2016
Dr. Alois Waldburg-Zeil	Head of Chemistry	2010
Klemens Gottstein	Head of Paper	2012
Wolfgang Grimm	Head of Packaging	2003

4.2 Professional background and other activities and functions

Peter Schildknecht

Dr. sc. techn., born 1962 and a Swiss national; joined CPH in 2008, Group CEO since 2009. Member of the Board of Directors of Renergia Zentralschweiz AG, Root; Member of the Board of Directors of Kowema AG, Rotkreuz; Member of the Board and Vice-Chairman of Euro-Graph (the European Association of Graphic Paper Producers), Brussels; Deputy Chairman of the Board of the Central Switzerland Chamber of Industry & Commerce (IHZ), Lucerne.

2001–2008 Member of Group Executive Management of Sarna Kunststoff Holding AG, Sarnen and leadership of various group divisions, most latterly Sarnafil; 1995–2001 various functions in the Von Roll Group, including CEO of Von Roll Betec AG and Head of Industrial Services and a Member of Executive Management at Von Roll Infratec Holding AG, Bern.

Richard Unterhuber

FH Diploma in Business Administration, Certified Management Accountant, MBA, born 1967 and a Swiss and Italian national; Group CFO since joining CPH in 2016.

2006–2016 CFO and Member of Group Executive Management at the internationally active Multi-Contact industrial group, Allschwil. Previously various executive finance and controlling positions at further industrial companies: 2001–2006 Head of Shared Services and CFO of SCA Packaging Switzerland AG, Oftringen; 1998–2001 Chief Commercial Officer and Member of Executive Management at Sarnatech (Schweiz) AG, Triengen; 1997–1998 Business Controller at DCL Data Center Luzern AG, Lucerne; 1995–1997 Head of Controlling, Swiss Post Aarau, Aarau.

Alois Waldburg-Zeil

Dr. iur., born 1963 and an Austrian national; joined the CPH Group as Head of Chemistry in 2010.

1997–2009 various management functions with the Süd-Chemie Group (now part of Clariant), including Head of the General Secretariat and Public Relations, Sales Manager EMEA, Global Financial Manager for Süd-Chemie Performance Packaging in Paris (France), CEO of Süd-Chemie UK in Manchester (UK) and CEO of Süd-Chemie Zeolites GmbH in Bitterfeld (Germany); 1993–1997 auditor with KPMG.

Klemens Gottstein

Industrial engineer, paper manufacturer and MBA, born 1961 and a German national; joined CPH as Head of Paper in 2012.

1989–2011 various functions at the Myllykoski Group, including HR Director, General Manager of its Dachau and Ettringen works and Director of Business Development for Coated Papers. Most latterly Executive Vice President Operations and a Member of the Executive Management of Myllykoski Europe, with responsibility for its six European plants and Human Resources Europe.

Wolfgang Grimm

BA Diploma in Business Administration, born 1957 and a German national; joined the then Perlen Group as its Head of Packaging in 1998 and appointed to his present position in 2003.

1995–1998 Schüpbach AG, Burgdorf (Switzerland), most latterly Vice President Sales Central Europe for Danisco Flexible Schüpbach AG; 1993–1995 Sales Director at VAW Europack Export GmbH, Teningen (Germany).

4.3 Statutory provisions regarding the number of activities permitted under VegüV Article 12, Paragraph 1, Section 1

Under Article 21 of the Articles of Incorporation of CPH Chemie + Papier Holding AG, members of Group Executive Management may hold up to five additional mandates, but no more than one such mandate at a stock exchange-listed company. Not included in the above calculations are:

- mandates at legal entities which control or are controlled by the company;
- mandates at associations, foundations or staff welfare institutions, of which every Group Executive Management member may hold up to five;
- mandates at joint ventures in which the company is involved but which it does not control, of which every Group Executive Management member may hold up to five.

A mandate is regarded as any activity performed by a member of Group Executive Management in the top management or administrative bodies of legal entities that are obliged to enter themselves in the Commercial Register (or a corresponding register abroad) and that neither control nor are controlled by the company. Mandates at multiple legal entities which are under common control are regarded as one single mandate. No member of Group Executive Management may hold more than the maximum number of external mandates specified in the Articles of Incorporation.

4.4 Management contracts

No management contracts have been concluded with companies or natural persons outside the CPH Group.

5 Remuneration, shareholdings and loans

The remuneration and shareholdings of the members of the Board of Directors and Group Executive Management, and the responsibilities and procedures for determining these, are specified in the Remuneration Report from Page 33 onwards.

6 Shareholders' rights

6.1 Voting right restrictions and representation

Every CPH Chemie + Papier Holding AG registered share entitles its holder to one vote at the General Meeting. There are no voting right restrictions.

In accordance with Article 9 of the Articles of Incorporation, any shareholder may be represented at a General Meeting by means of a written proxy issued either to another person or to the independent shareholders' representative. The company's shareholders may provide the independent shareholders' representative with their proxy for any General Meeting, either in writing or via the Sherpany (www.sherpany.com) platform.

6.2 Statutory quora

Unless otherwise required by law, the General Meeting passes its resolutions and conducts its elections by a relative majority of the votes cast. Blank and invalid votes are not counted in these calculations. In accordance with Article 12 of the Articles of Incorporation, all such votes and elections are open, unless the meeting chair or any other attendee demands a secret ballot.

6.3 Convocation of the General Meeting

In accordance with Article 10 of the Articles of Incorporation, a General Meeting is convened by letter to the shareholders or announcement in the Schweizerisches Handelsamtsblatt (Swiss Official Gazette of Commerce). This invitation must be extended at least 20 days in advance of the meeting. The invitation will include the meeting agenda and the proposals and recommendations of the Board of Directors and of any shareholders who have demanded the convocation of a General Meeting or submitted an agenda item (as permitted under Article 699, Paragraph 3 of the Swiss Code of Obligations).

6.4 Submission of agenda items

In accordance with Article 4 of the Articles of Incorporation, any request by a shareholder for an item to be included in a General Meeting agenda must be submitted to the Board of Directors in writing at least 60 days in advance. Subject to the special provisions relating to general meetings at which all shareholders are represented in full, no resolution may be passed by the meeting on any matter which has not been communicated in this way.

6.5 Entry in the Share Register

In accordance with Article 9 of the Articles of Incorporation, all shareholders entitled to participate in a General Meeting and exercise their share voting rights must have been duly entered in the Share Register in advance of the meeting on a cutoff date specified by the Board of Directors.

7 Change of control and defence measures

7.1 Obligation to make an offer

In accordance with Article 6 of the Articles of Incorporation, any acquirer of CPH shares whose total shareholding thereby exceeds a legally prescribed ownership threshold is not obliged to make a public takeover offer as specified in the Swiss Financial Market Infrastructure Act ("opting-out" clause).

7.2 Change-of-control clauses

There are no change-of-control clauses.

8 Auditors

8.1 Duration of mandate and auditor in charge's term of office

PricewaterhouseCoopers AG, Zurich, has been the statutory and group auditor of the CPH Group since 1971. Thomas Illi has been the auditor in charge since 2016. In accordance with Article 730a, Para-

graph 2 of the Swiss Code of Obligations, a new auditor in charge is designated every seven years.

8.2 Auditing and other fees

The following fees were paid to the auditors and others in the 2018 and 2019 financial years:

in CHF thousand	2019	2018
PricewaterhouseCoopers AG auditing fees	373	387
Auditing fees to further auditing companies	59	48
Other PricewaterhouseCoopers AG fees	99	171
Other fees to further auditing companies	1	33
Total	532	639

Auditing fees are the amounts paid for the auditing services which are provided each year to give an opinion on the consolidated financial statements and to compile reports on the financial statements of group member companies required under applicable local law. Other fees are the amounts paid to auditing companies for other consultancy services.

8.3 Information instruments pertaining to the external audit

The performance, independence and remuneration of the external auditors are assessed by the Finance & Auditing Committee, which approves the audit plan, processes the audit reports and supervises the adoption of the external auditors' recommendations.

The Finance & Auditing Committee submits an annual report on these activities to the full Board of Directors. In 2019 representatives of the auditors attended all the meetings of the Finance & Auditing Committee for those agenda items which concerned them.

9 Information policy

9.1 Information tools

The CPH Group maintains an open communications culture towards its employees, its shareholders and the public. The Group publishes an Annual Report as of 31 December and a Half-Year Report as of 30 June. The printed Annual Report is mailed directly to all shareholders. Copies can also be ordered at <https://cph.ch/en/investors/documentation/> on the CPH website.

The "Investors" section of the CPH website at <https://cph.ch/en/investors/> offers full information for shareholders and investors such as the calendar of coming financial events, key company figures and the current share price. Contact details are also provided with the info@cph.ch email address, via which further information about the Group can be obtained. Interested parties can also register on the website at <https://cph.ch/en/investors/ir-contacts> to automatically receive CPH Group email communications. All media releases issued are made immediately

available at <https://cph.ch/en/media/media-releases/> upon publication. An analysts' and media conference is also held for the publication of the Group's annual results.

The official organ of publication for the CPH Group is the Schweizerische Handelsamtsblatt (the Swiss Official Gazette of Commerce). Written company communications to shareholders as required by law are sent to the most recent address provided in the Share Register by the shareholder or their proxy for such communications.

9.2 Information for bondholders

CPH repaid a CHF 120 million corporate bond in July 2019. A further CHF 100 million corporate bond with a coupon of 2.00% and a maturity in 2023 remained outstanding at the end of 2019. This bond, which is listed on the SIX Swiss Exchange, closed at 103.00 on 30 December 2019, compared to 100.10 at the end of the previous year.

The CPH 18-23 corporate bond



Bond information

Bond information	CPH 18-23
Issued by	CPH Chemie + Papier Holding AG
Listed on	SIX Swiss Exchange
Securities number	43467836
ISIN	CH0434678360
SIX symbol	CPH18
Trading currency	CHF
Nominal volume	CHF 100 million
Issue price	100.00
Coupon	2.00%
Denomination	CHF 5 000
Annual coupon payment	12 October
Issue date	12 October 2018
Maturity	12 October 2023
Redeemable	No
Credit rating by rating agency	None

9.3 Information for shareholders

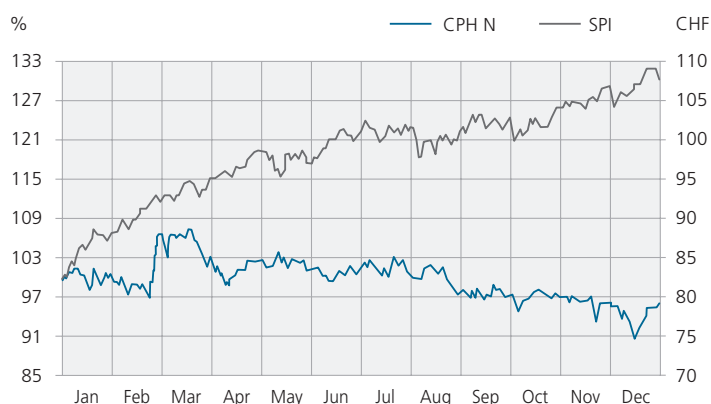
The CPH share, which is listed on the SIX Swiss Exchange, closed at a price of CHF 79.20 on 30 December 2019, compared to CHF 82.50 at the end of the previous year. The CPH share's performance in 2019 was thus well below that of the market in general, where the Swiss Performance Index (SPI) rose 30.6%.

Share information

Listed on	SIX Swiss Exchange
Securities number	162 471
ISIN	CH0001624714
Reuters symbol	CPH.S
SIX symbol	CPHN

The CPH share price

Compared to the SPI (indexed, left-hand scale) and in CHF (right-hand scale)



Per-share statistics	2019	2018	2017	2016	2015
Share price on 31 December in CHF	79.20	82.50	53.55	40.00	31.40
High in CHF	88.50	89.00	57.30	42.20	59.90
Low in CHF	74.00	54.00	39.00	29.80	30.00
Nominal value in CHF	2.00	2.00	5.00	5.00	5.00
Key figures per share ¹⁾					
Equity in CHF	73.56	67.87	66.06	63.49	67.12
Price-to-book ratio on 31 December	1.08	1.22	0.81	0.63	0.47
Net result in CHF	8.06	7.05	2.66	-1.32	-5.52
Price/earnings ratio on 31 December	9.83	11.70	20.10	n.a.	n.a.
Cash flow in CHF	13.33	11.50	2.41	4.71	1.20
Free cash flow in CHF ²⁾	23.32	-13.42	2.14	0.32	0.23
Adjusted free cash flow in CHF ³⁾	6.66	3.25	2.14	0.32	0.23
Dividend (2019: recommendation) in CHF ⁴⁾	0.00	1.80	0.65	0.65	0.60
Market capitalization					
Number of shares	6 000 000	6 000 000	6 000 000	6 000 000	6 000 000
Share capital in CHF million	12	12	30	30	30
Market capitalization in CHF million	475	495	321	240	188

¹⁾ Based on consolidated financial statements and excluding minorities

²⁾ Change in consolidated accounting principles for 2019; figure for 2018 restated

³⁾ Excluding (for 2018 and 2019) CHF 100 million fixed-term deposit of funds generated by bond issue of 12.10.2018, repaid 9.7.2019

⁴⁾ For 2019, Board's recommendation to 2020 General Meeting: repayment (instead of dividend) of nominal value reduction of CHF 1.80 per share

9.4 Investor relations agenda

25 February 2020	Publication of the 2019 Annual Report; media conference and investors' meeting
17 March 2020	Ordinary General Meeting
21 July 2020	2020 Half-Year Report
8 September 2020	CPH Group Investors' Day

9.5 Investor relations contact

Richard Unterhuber, CFO
 CPH Chemie+Papier Holding AG
 CH-6035 Perlen
 Phone: +41 41 455 8000
 Email: investor.relations@cph.ch

Remuneration Report

The Remuneration Report contains information on the principles, programmes and procedures for determining the remuneration paid to the CPH Board of Directors and to Group Executive Management and their amounts in 2019.

This report is divided into two sections. Section 1 is not subject to the auditing required under Article 13 of Switzerland's VegüV Ordinance Against Excessive Remuneration at Stock Exchange-Listed Companies, while Section 2 is.

1. Remuneration and general information

The fundamental aim of the CPH Group is to provide remuneration that is in line with market levels. CPH regards such remuneration as a combination of a fixed and a variable salary component. The amount of each individual's overall remuneration and the components thereof are determined by regularly reappraising the current classification of each function, benchmarking the remunerations awarded and comparing these to market rates (see also the details for the Board of Directors and Group Executive Management). Any modifications proposed to the remuneration for the Group CEO or further members of Group Executive Management are submitted for approval to the full Board of Directors by its Personnel & Compensation Committee, with due reference to the market comparisons conducted.

Every meeting of the Personnel & Compensation Committee is preceded by an agenda that is communicated to each Board member. The Committee also informs the other Board members of the topics it has discussed and the background to any proposals or recommendations submitted at the next Board meeting.

The Personnel & Compensation Committee generally meets three times (and at least twice) a year. Three such meetings and two telephone conferences were held in 2019.

The members of the Personnel & Compensation Committee are elected individually by the Ordinary General Meeting to serve for one year. For further details of the Committee's current composition and prime duties and responsibilities, please see the Corporate Governance section.

Individual performance has a direct influence on the remuneration paid to all CPH Group personnel, including management members. The assessment thereof is based on the degree to which broader and individual targets are achieved, and such achievement is remunerated via the variable salary compensation component. For each function, a target bonus is defined that will be paid if the targets concerned are achieved in full. The actual bonus to be paid will then be determined

on the basis of the degrees to which such targets are achieved, with a maximum annual bonus payable amounting to 150% of the target bonus set. The bonus gradations between the lower and upper limits of 0% and 150% may either be linear or consist of a series of steps: the details here are determined as part of the annual target-setting process. For 2019 linear gradations were adopted for all the personnel concerned. CPH does not award any discretionary bonus payments.

The Group CEO has a contractual notice period of 12 months, while the further members of Group Executive Management have a notice period of six months. There are no contractual agreements regarding severance payments. CPH maintains occupational pension arrangements for all its employees. There are no additional insurance arrangements for Group Executive Management members. The members of the Board of Directors are not insured under any CPH occupational pension scheme. The CPH remuneration system remained unchanged in 2019 from the previous year.

The structure and amounts of the remuneration paid for certain functions are regularly reappraised using external benchmarks. The remuneration paid to the members of Group Executive Management and the three Divisional Managements was analyzed by an outside company in 2019. Three benchmark groups were created to this end. Benchmark Group I consisted of Swiss-based international companies in the paper, packaging and chemistry sectors (such as Acino, Dottikon, Ems-Chemie, Givaudan, Baumgartner and Vifor). Benchmark Group II added further international industrial companies domiciled in Switzerland (such as Feintool, Lantal Textiles, Huber+Suhner, Stäubli, Landis&Gyr and Schaffner). Benchmark Group III comprised international subsidiaries (including those of companies in Groups I and II) based in China, Germany, the USA and other countries. About two-thirds of the companies in these three benchmark groups are stock exchange-listed. The functions assessed were assigned to the appropriate benchmark group(s) using the recruitment market principle. The findings and conclusions were then discussed by the Personnel & Compensation Committee, and any adjustments deemed necessary were proposed for adoption from 1 January 2020.

The proposals on the maximum aggregate remuneration for the Board of Directors and for Group Executive Management are prepared by the Board's Personnel & Compensation Committee, appraised by the full Board and submitted to the General Meeting for approval. Should the proposal be rejected, and should the Board not submit a new proposal (or have this rejected, too), an Extraordinary General Meeting should be convened within three months, or the Board may submit a further such proposal for retrospective approval at the next Ordinary General Meeting.

Long-term incentive (LTI) programme

The Articles of Incorporation of CPH Chemie + Papier Holding AG permit the use of long-term incentives (LTIs), particularly in the form of

employee share ownership plans. The CPH Group used no such remuneration components in 2019. But the Board of Directors has resolved to introduce a share subscription programme exclusively for the members of Group Executive Management from 2020.

The new LTI will take the form of a restricted stock plan. This means that the shares concerned will be definitively awarded to the persons entitled to them at the time of such entitlement, but will then be subject to a three-year vesting period. The number of shares awarded will not be tied to any further performance or target achievement criteria during their vesting period, and their value will only change during such time on the basis of their current stock exchange price.

The award price of such shares will be the arithmetic mean of the closing prices of the CPH Chemie + Papier Holding AG share for the 15 consecutive calendar days immediately before and immediately after the publication of the annual results for the business year concerned.

The number of shares to be awarded to each Group Executive Management member will be based on their individual LTI target amount. Such shares will only be awarded provided the Group Executive Management member concerned has not served or been served notice at the time of such award.

The shares required for such awards will be acquired by CPH Chemie + Papier Holding AG each year on the equities market. The shares will be awarded in annual tranches, immediately after their award price has been determined following publication of the corresponding annual results. Such shares shall carry both voting and dividend rights from the date of their award.

The shares of each annual tranche shall be entirely at their holder's disposal after the conclusion of their three-year vesting period.

Remuneration of the Board of Directors

The remuneration paid to members of the Board of Directors consists of a fixed monetary amount. Members' work on either of the Board's two technical committees is additionally remunerated via meeting attendance fees. Board members are further awarded a flat daily allowance for any work beyond their normal meeting activities.

The remuneration paid to Board members is determined on the basis of comparisons with publicly available data for comparable Swiss industrial companies whose shares are also listed on the SIX Swiss Exchange. The remuneration rates concerned are proposed to the full Board by its Personnel & Compensation Committee.

In accordance with Switzerland's VegüV Ordinance against Excessive Compensation in Stock Exchange-Listed Companies and the correspondingly amended Articles of Incorporation of CPH Chemie + Papier Holding AG, the maximum aggregate amount payable

to the Board of Directors in the period between two Ordinary General Meetings is subject to the approval of the first such Meeting. This provision entered into effect from the 2015 Ordinary General Meeting. For specific remuneration payments, please see Section 2 below.

Remuneration of Group Executive Management

The remuneration paid to the members of CPH's Group Executive Management consists of a fixed and a variable component which are both fully paid in monetary form. Group Executive Management members will also receive part of their remuneration in the form of company shares (under an LTI programme) from 2020.

The actual variable remuneration paid depends on the degree to which group targets and individual divisional or functional targets are achieved. The maximum variable remuneration amounts to 100% of the fixed basic salary for the Group CEO and 50% thereof for the further Group Executive Management members.

The assessment of the performance of Group Executive Management for variable remuneration purposes is based on a specific target-setting process. These targets are set in five areas: financial results, customers & market, innovation, processes and leadership & personnel. The financial results targets are the same for all Group Executive Management members, while individual divisional and/or functional targets are set in the four further areas.

The achievement of the quantitative targets set for the financial key performance indicators of EBIT, operating cash flow and net working capital accounts for 60% of the variable remuneration, with the remaining 40% based on the achievement of the quantitative and qualitative targets set in the other four areas. The Heads of Divisions' performance in financial results terms is based two-thirds on the results of their division and one-third on Group results. The corresponding performances of the Group CEO and CFO are based solely on the Group results achieved.

The targets for all target areas are prescribed by the Board of Directors for all Group Executive Management members (with financial results targets derived directly from agreed budget parameters). The Group CEO and the further members of Group Executive Management may also make target proposals. The latter have their achievement of their annual targets assessed by the Group CEO, who submits appropriate recommendations to the Board's Personnel & Compensation Committee. The Group CEO's target achievements are assessed by the Chairman of the Board. All such assessments are discussed by the Personnel & Compensation Committee, which then submits a report to the full Board on the degrees to which each member of Group Executive Management has achieved the targets set, together with recommendations on the individual variable remunerations to be paid. The final decision thereon is then taken by the Board in toto, with due regard to the maxima specified by the previous Ordinary General Meeting.

With the exception of one company car, no fringe benefits are granted to Group Executive Management members.

The Group CEO is entitled to make proposals on the remuneration to be paid to Group Executive Management members.

With effect from the 2015 Ordinary General Meeting, and in accordance with Switzerland's VegüV Ordinance against Excessive Compensation in Stock Exchange-Listed Companies and the correspondingly amended Articles of Incorporation of CPH Chemie+Papier Holding AG, the maximum aggregate fixed and variable remuneration payable to Group Executive Management are approved by each Ordinary General Meeting for the following business year.

Any new members of Group Executive Management who are appointed and assume their duties after the Ordinary General Meeting has approved the maximum aggregate Group Executive Management

remuneration for the business year concerned may – under Article 22 of the CPH Chemie+Papier Holding AG Articles of Incorporation – be paid an additional amount totalling (for all such new members) no more than 40% of this maximum aggregate amount.

The remuneration paid in 2019 to the members of the Board of Directors, the Group CEO (who received the highest remuneration of any Group Executive Management member) and the further members of Group Executive Management is shown in the tables in Section 2.

2. Remuneration paid to members of the Board of Directors and Group Executive Management

This remuneration includes salaries, bonuses, credits, social security payments and occupational pension scheme contributions.

Remuneration paid to members of the Board of Directors

2019 in CHF thousand

Board of Directors	Board member since	Function	Finance & Auditing Committee	Personnel & Compensation Committee	Fixed remuneration	Board committee meeting fees	Social security contributions	Total
Peter Schaub	1994	Chairman	Member	Member	319	0	20	339
Tim Talaat	1994	Deputy Chairman		Member	91	8	6	105
Mauro Gabella	2005	Member		Chair	92	23	7	122
Kaspar W. Kelterborn	2015	Member	Chair		92	23	7	122
Manuel Werder	2015	Member	Member		91	8	6	105
Christian Wipf	2008	Member		Member	91	8	6	105
Total					776	70	52	898

A maximum aggregate remuneration of CHF 930 000 was set for the period between the 2019 and 2020 Ordinary General Meetings by the 2019 Meeting.

2018 in CHF thousand

Board of Directors	Board member since	Function	Finance & Auditing Committee	Personnel & Compensation Committee	Fixed remuneration	Board committee meeting fees	Social security contributions	Total
Peter Schaub	1994	Chairman	Member	Member	319	0	20	339
Tim Talaat	1994	Deputy Chairman		Member	91	8	6	105
Mauro Gabella	2005	Member		Chair	92	23	7	122
Kaspar W. Kelterborn	2015	Member	Chair		92	23	7	122
Manuel Werder	2015	Member	Member		91	8	6	105
Christian Wipf	2008	Member		Member	91	8	6	105
Total					776	70	52	898

Notes on the remuneration paid to members of the Board of Directors

The amounts shown are the remuneration paid for the year concerned, regardless of when such payment was made. All such remuneration was in monetary form. Board members are not subject to any share ownership or share option plans. The remuneration is shown in gross form, including employees' social security contributions. The social security contributions shown separately include those of the employer.

No remuneration was paid to any former Board members. No loans were made to any current or former Board members, and no such loans are outstanding.

No remuneration was paid and no loans were made to any parties related to any Board members, and no such loans are outstanding. No transactions were conducted on non-market terms with any natural persons or legal entities related to any Board members.

Notes on the remuneration paid to members of Group Executive Management

The variable remuneration shown for 2019 corresponds to the provisions made (on an accrual basis). The variable remuneration shown for 2018 has been adjusted to reflect the payments actually made. This is not new remuneration, but the same remuneration as was shown in the 2018 Annual Report. That remuneration could only

be shown on the basis of the provisions made (on an accrual basis), however, whereas the table below shows the final amounts actually paid for 2018.

All such remuneration, both fixed and variable, is in monetary form. Group Executive Management members are not subject to any share ownership or share option plans. The remuneration is shown in gross form, including employees' company pension scheme and social security contributions. The company pension scheme and social security contributions shown separately include those of the employer. "Further compensation" relates to the private use of the company car and any long-service awards.

No remuneration was paid to any former Group Executive Management members. No loans were made to any current or former Group Executive Management members, and no such loans are outstanding.

No remuneration was paid and no loans were made to any parties related to any Group Executive Management members, and no such loans are outstanding. No transactions were conducted on non-market terms with any natural persons or legal entities related to any Group Executive Management members.

Remuneration paid to members of Group Executive Management

2019 in CHF thousand

Group Executive Management	Function	Fixed compensation	Variable compensation	Pension scheme and social security contributions	Further compensation	Total
Peter Schildknecht	CEO	500	300	151	4	955
Further GEM members combined		1 150	305	278	55	1 788
Total		1 650	605	429	59	2 743

A maximum aggregate remuneration of CHF 3 350 000 was set for the 2019 business year by the 2018 Ordinary General Meeting.

2018 in CHF thousand

Group Executive Management	Function	Fixed compensation	Variable compensation	Pension scheme and social security contributions	Further compensation	Total
Peter Schildknecht	CEO	500	475	160	4	1 139
Further GEM members combined		1 150	433	299	54	1 936
Total		1 650	908	459	58	3 075

Report of the statutory auditor on the Remuneration Report

We have audited the remuneration report of CPH Chemie + Papier Holding AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in chapter 2 on pages 35 to 36 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of CPH Chemie + Papier Holding AG for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Thomas Illi
Audit expert
Auditor in charge



Josef Stadelmann
Audit expert

Zürich, 14 February 2020

Sustainability Report

The CPH Group is committed to ensuring that its business operations are sustainable in economic, social and environmental terms, and makes a tangible contribution to the circular economy. Recycling is deep within the CPH DNA.

Sustainability as part of long-term strategy

The CPH Group has been operating in its markets for over 200 years. This long-term success is based to a sizeable extent on its sustainable value creation, to which it has always attached great importance in its overall corporate strategy. The Group meets the needs of its business partners, its employees and the environment through its responsible economic, social and ecological conduct. The demands of its various stakeholder groups are identified through an integrated quality management system throughout all three of its business divisions, and corresponding objectives, actions and priorities are defined and pursued on the quality, safety, environment and energy fronts.

Economic sustainability is the cornerstone of the Group's industrial activities, and continuous long-term development is the prime priority. The Group creates added value for its customers by providing high-quality products and services. The Group's employees ensure that CPH remains both innovative and competitive in its various target markets, and their safety, their health and their further training and development are all key priorities. Avoiding and reducing emissions, waste water and solid waste has been integrated into the planning within each business division for several years now. Safety, environmental and quality issues are all entrusted to specially trained employees who report directly to their divisional management.

Paper, the biggest business division, is a pure recycling company that processes wood-based recovered paper into new printing and press papers. The Paper Division is Switzerland's biggest waste paper recycler, transforming several hundred thousand tonnes of waste paper that is collected within the country and around a hundred thousand tonnes of waste wood from sawmill and forest thinning operations into these new paper products. In doing so, the CPH Group makes a substantial contribution to saving wood resources, while also ensuring shorter journeys for the waste paper concerned and thereby reducing carbon dioxide emissions. The Group has been voluntarily setting itself carbon emission reduction targets that go far beyond those required by law for several years now.

The CPH Group is also living up in full to its responsibilities for cleaning up its former Uetikon industrial site. The Group is covering 80% of the costs of cleaning up the bed of Lake Zurich adjacent to the site. The corresponding provisions were effected in the 2016 financial year. The Group is also cleaning up – at its own expense – the Rotholz former waste disposal site in Meilen. The work here will begin in the first quarter of 2020.

Brand policy

The CPH Group pursues a clear brand policy. At the company level the Group maintains five brands, which are aimed at differing markets and target groups. CPH Chemie+Papier Holding AG ("CPH"), the Group's holding company, is not operationally active, but serves as the industrial conglomerate's umbrella brand towards its stakeholders. The Group's three divisions operate under their corporate brands of "Zeochem", "Perlen Papier" and "Perlen Packaging". These were supplemented in 2018 with the addition of "APS Altpapier Schweiz" as a further corporate brand of the Paper Division.

The CPH Group's corporate brands enjoy outstanding acceptance and high familiarity in their target markets. They are bywords for both tradition and innovation. Perlen Papier has been operating since 1873. Perlen Packaging originally emerged from the Paper Division at the same Perlen location, and has only been trading under its own Perlen Packaging brand for some ten years now. The Zeochem brand has been used since 1979, and originated at the Chemistry Division's US operation.

Corporate brands



Product brands

The Group's various constituent companies maintain a product brand architecture that uses the same standard prefix to identify and assign products within each division. Thus, all Zeochem products begin with "Zeo-" (such as Zeoprep), all Perlen Papier products begin with "Perlen-" (such as Perlentop) and all Perlen Packaging products begin with "Perla-" (such as Perlalux). These product names are also registered as trademarks wherever possible, to protect them from counterfeiting activities.

Economic sustainability

The CPH Group has diversified its industrial activities into different business segments. This is intended to better cushion the Group against fluctuations in its sales markets, some of which are volatile and cyclical by nature. The Group strives to create long-term value for its stakeholders by offering products and services that are tailored to its markets and their needs, along with interesting work opportunities and attractive shareholder returns. The Group has set itself the following medium-term financial targets:

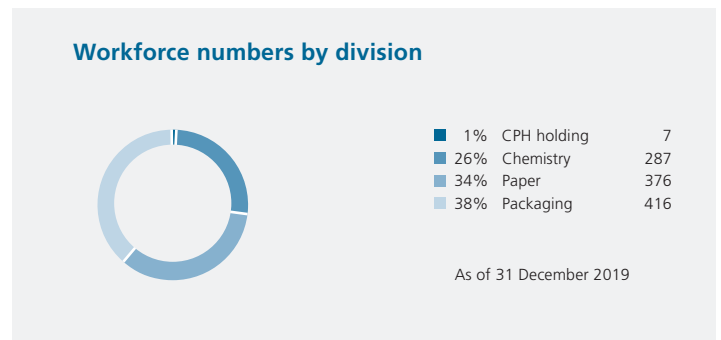
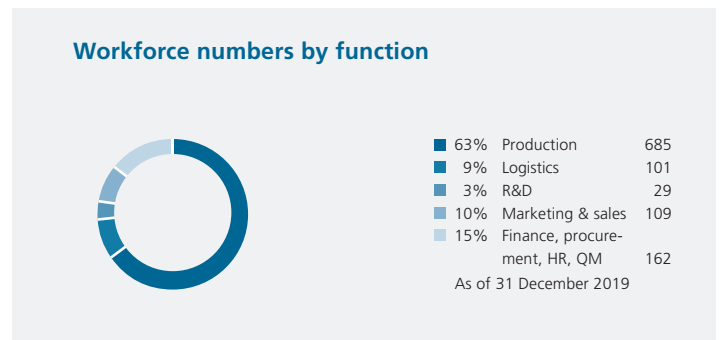
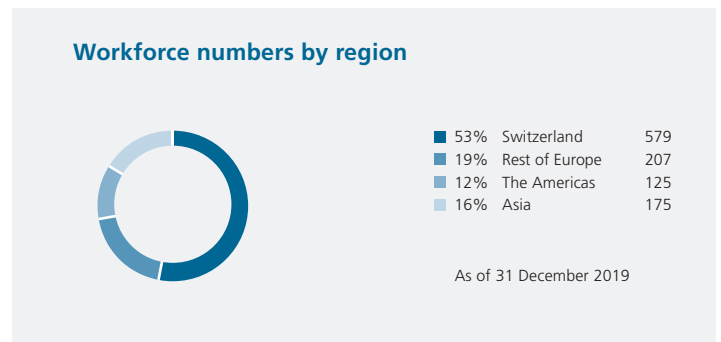
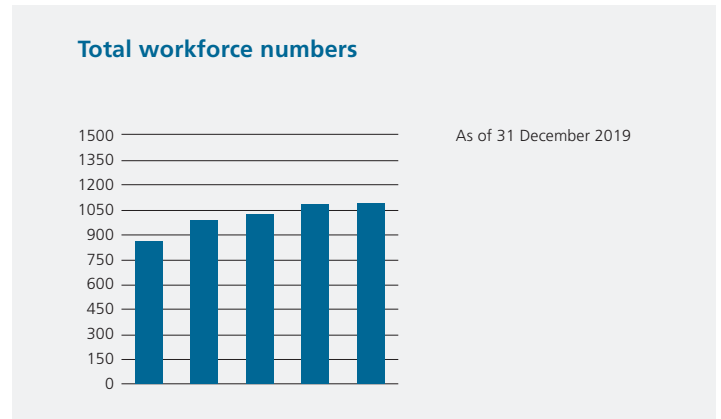
- organic net sales growth of more than 3% a year
- an EBITDA margin of over 10%
- an equity ratio above 50%
- liquidity of at least CHF 30–50 million
- annual operating investments of CHF 20–25 million.

Social sustainability

The CPH Group is well aware of its responsibilities towards its employees. The first company health insurance scheme was established for workers at its original Uetikon site as early as the 1860s. And its first occupational pension scheme was founded in 1918, also at the Uetikon site.

The CPH Group makes every effort to secure the best employees and to promote, support and further train them as effectively as possible in their working world. An open communications culture, a management and leadership that put CPH’s values into practice and a safe, healthy and varied work environment are all intended to encourage and further its employees’ commitment to their work and their identification with the Group, their company and their individual role. The CPH Group also attaches great importance to ensuring a sound work/life balance. At its German site, for instance, in addition to preparing-for-retirement courses, the Group offers part-time working models to make the transition to retirement a smoother and more flexible experience. Parties are also regularly held for and with the Group’s employees at its various operating locations.

Some 71% of the total CPH Group worldwide workforce took part in a survey on their workplace, professional development, leadership, communications, innovation, customers, strategy and involvement in October and November 2019. These groupwide polls are conducted every three years. More favourable ratings were given to 95% of the questions in this latest survey than had been provided three years before, with an average improvement per question of nine percentage points. The Engagement Index rose to 75%. Particularly tangible improvements were seen in the leadership and recognition categories, where 80% of respondents gave positive replies. The results are now being analyzed in detail, and actions will then be determined from the findings and conclusions and taken in 2020.



Total employees

1 086

(prior year: 1 081)

Apprenticeships completed

12

(prior year: 13)

Staff turnover

9.5%

(prior year: 8.3%)

Sickness-related absence rate

2.5%

(prior year: 2.0%)

Occupational accident-related absence rate

0.1%

(prior year: 0.2%)

Staff turnover for the year amounted to 9.5%. The increase on the 8.3% of 2018 is attributable primarily to turnover rates in China, which were substantially higher than at other sites. CPH numbers many long-serving employees: some 19% of the 2019 workforce had been with the Group for 20 years or more. Service anniversaries are duly marked with awards ranging from small gifts to parties, depending on local customs. Many former employees also remain close to CPH, and meet up annually at retiree events which are organized by their former employer.

Diversity and inclusion

Year-end total personnel numbers rose from 1 081 to 1 086. The majority of the Group's employees – 63% – are involved in production. Around half the total workforce are based in Switzerland (see the charts on Page 39). The CPH workforce is also highly diverse, employing individuals of 31 nationalities, and multicultural collaborations are particularly encouraged. The CPH Group is involved in industrial production, and this is reflected in the proportion of women within the overall workforce, which amounts to 18.0%. The issues of diversity, affirmative action and non-discrimination are specifically addressed in training courses and activities.

Salary policy

CPH pursues a fair and reasonable groupwide salary policy that is closely aligned to local customs and conditions. This policy is intended to offer salaries that pay due regard to the demands of the position, the conduct and performance of its occupant and general market levels. It also rewards above-average performance in various ways, such as via bonus payments or (with management positions) via a variable salary component that is linked to the achievement of individually-set performance goals and to group and divisional results. The Group made individual salary adjustments in 2019. The total cost of salaries, occupational pension scheme payments and basic and further training amounted to CHF 92.9 million.

All employees at the Perlen and Utzenstorf sites are subject to a collective labour agreement (CLA). Employees at the Müllheim site in Germany are subject to the CLA of the Industriegewerkschaft Bergbau Chemie Energie (IGBCE). Elsewhere, personnel work under individual employment contracts.

Initial and further training

Switzerland and Germany maintain a "dual" education system that combines company apprentice placements with attendance at vocational schools. The system is a key element in both countries' economies and business sectors, providing the skilled professionals needed to maintain their competitive credentials in the longer term. Through its own vocational training activities at its Swiss and German sites, the CPH Group not only lives up to its social responsibility: the employees it trains play their full part, too, in achieving its business goals.

A total of 47 apprentices and interns were on the CPH Group payroll as future automation engineers, chemistry lab technicians, commercial officers, electronics engineers, IT specialists, logistics specialists, paper technologists, plant/equipment constructors, plant operators, polymechanics and production and process mechanics at the end of 2019. Internships for student engineers are also offered at the Group's operations in Germany and in Bosnia and Herzegovina. Twelve apprentices completed their courses during the year, four of whom could be given permanent positions.

The Group's apprentices meet each year at the Apprentices Day, a group-level further training event. They also spent a week in a special apprentices' camp in 2019 helping Swiss farmers in their daily work.

The CPH Group employee spent an average of 2.3 days on in-house or external training in 2019. The Group spent CHF 1.0 million on initial and further training for its employees in the course of the year.

Continuous improvement

Winning new customers and securing their long-term business are among the core aspirations of the CPH Group's sales and distribution strategy. The Group's divisions maintain a constant dialogue with their customers to monitor their satisfaction and identify possible improvements. The divisions also conduct customer satisfaction surveys every two to three years which address such areas as service quality, technical support, product quality, product range, delivery times, reliability, complaints handling and pricing.

The Group's Continuous Improvement Process (CIP) is a further key element in its ongoing endeavours to ensure its future development and further raise quality and efficiency, and CIP training is conducted every year in all three divisions. The 776 CIP ideas and 129 group CIP moderations of 2019 produced a number of proposals to enhance efficiency, improve safety and ease environmental impact. All in all, these proposals delivered an annual benefit of some CHF 1.3 million.

Occupational safety

CPH conducts regular training to help identify dangers and prevent accidents at all its operating sites, and every site has its own safety officer. The Paper Division held five workshops on "Integrated Safety" with its management corps in the course of 2019, while the Packaging Division trialled the adoption of daily "safety tours" at its Swiss operating site.

Any incidents or accidents that occur at CPH are systematically analyzed to help prevent their recurrence. The number of occupational accidents per one hundred employees was reduced to 0.8 in 2019, down from 3.3 for the previous year. This is an impressively low level for a manufacturing concern. Happily, the year remained free of any serious industrial accidents. The occupational accident-related absence rate for 2019 also declined to 0.1%.

CO₂ emissions (tonnes)

17 307

(prior year: 16 493)

Energy consumption (GWh)

1 286

(prior year: 1294)

Waste water (million m³)

7.5

(prior year: 6.7)

Waste paper from Swiss sources

75%

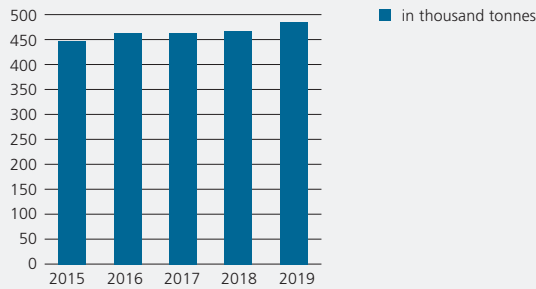
(prior year: 81%)

PVC utilization rate

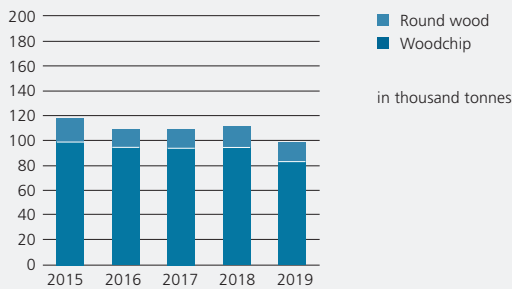
99%

(prior year: 99%)

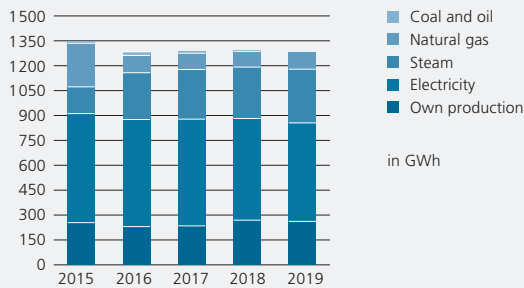
Waste paper consumption



Wood consumption



Energy consumption



Healthcare

The Group's various operations offer numerous healthcare facilities, such as annual health check-ups and free flu vaccinations. A number of them also support employees' personal fitness, contributing to their gym subscriptions or participating in "Bike to Work" programmes encouraging staff to cycle their daily commute. The sickness-related absence rate for the year remained low at 2.5%. Any employees who do become ill receive extensive care and attention under a health case management programme.

Social involvement

Numerous employees of the CPH Group are involved in activities for the communal good both in and outside their companies. Some serve as company paramedics or company fire officers, while others take part in charity projects in their leisure time. The Group's various operations around the world also involve themselves in local community ventures. Employees at the Zvornik plant in Bosnia and Herzegovina, for instance, have been engaged in clearing waste from the banks of the River Drina, and have also helped out with the organization of the local arts festival. Young employees in the Packaging Division were able to take an extra week of vacation to engage in youth work. And one member of divisional management participated in an "economics week" at a local high school.

Ecological sustainability

The CPH Group's environmental reporting year runs from the beginning of November to the end of October. The Paper Division has been compiling an annual environmental impact statement that is structured in line with the Carbon Disclosure Project since 2015.

Use of resources

In tonnage terms, the largest proportion of resources used within the CPH Group is in the Paper Division, which has recovered paper as its key raw material. Perlen Papier raised the total annual volume of recovered paper it recycled in its operations from the 468 137 tonnes of 2018 to 486 874 tonnes in the year under review. Some 75% of this recovered paper was collected in Switzerland, with the rest coming from abroad. About 14% of these paper supplies were delivered to Perlen by rail. Perlen Papier also turned 98 820 bone-dry tonnes of round wood and woodchip into wood fibre in 2019 (2018: 109 263 bone-dry tonnes). CPH puts a particular emphasis on sustainable operations and short transport journeys when sourcing these raw materials: all the round wood used comes from Swiss sources, and 83% of it is from FSC-certificated forestry operations. Of the woodchip used, 82% is from within Switzerland and 67% is from FSC or PEFC-certificated sources. Perlen Papier is also a member of ECO SWISS, Swiss business and industry's environmental protection organization, and of further bodies promoting sustainable forestry.

Perlen Packaging's film manufacturing process uses unplasticized polyvinylchloride (PVC), which is composed of 43% ethylene and 57% sodium chloride. Compared with other oil-based polymers, PVC boasts a better product carbon footprint for its overall life cycle. Wherever possible, waste and scrap material from the various manufacturing steps are fed back into the production process as secondary raw materials. The raw material utilization rates for 2019 were unchanged at 99% for PVC and 93% (compared to 90% the previous year) for PVdC. Perlen Packaging is also actively involved in the VINYLPlus programme, which promotes PVC recycling.

The Chemistry Division primarily uses intermediate products – filter cakes – as the raw material in its production activities. The Zvornik plant is located adjacent to the supplier of its filter cakes, minimizing transport costs. The Chinese production facility has increased the proportion of its raw materials that are domestically sourced from 60% to 95%, which has reduced the transports involved by 60% in distance terms.

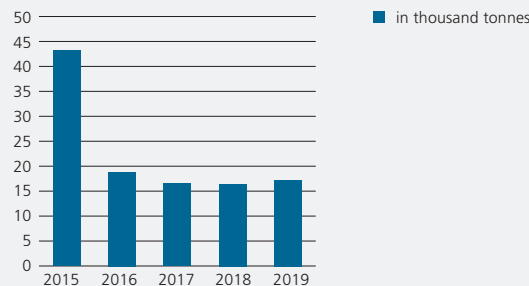
Energy

Energy consumption at the CPH Group for 2019 amounted to 1 286 gigawatt hours (GWh), a decline of 0.6% from its prior-year level. Over 90% of the energy used by the Group was for its paper production. The consumption of electricity, the Group's main energy source, decreased groupwide from 669 to 653 GWh. The second most important energy provider was steam at 529 GWh (2018: 526 GWh). This is only used to dry the webs in the paper production process; and some 60% of the steam required here is sourced from the nearby Renergia waste incinerator facility. The rest is produced by the Group's own biomass plant. Group gas consumption increased slightly from 96 to 103 GWh. The operating licence for the Perlen hydro-electric power station was extended in 2019 for a further 30 years. The project to refurbish the River Reuss weir was also approved during the year.

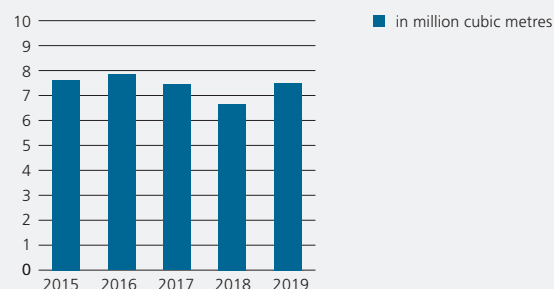
Emissions, waste water and solid waste

The CPH Group voluntarily sets its own goals to reduce its emissions which are more rigorous than those required by law. As a result, its Perlen facility was exempt in 2019 from any carbon dioxide (CO₂) levy. The Perlen plant emits around 10% of the maximum CO₂ legally permitted. Total CO₂ emissions from CPH's sites amounted to 17 307 tonnes, an increase on the 16 493 tonnes of the previous year. Of this, 9 991 tonnes derived from paper production and 5 399 tonnes from the Chemistry Division. The operation in Germany has been using green electricity consistently since 2018 in line with ISO 50001 energy management standards. No carbon credit certificates were sold in 2019.

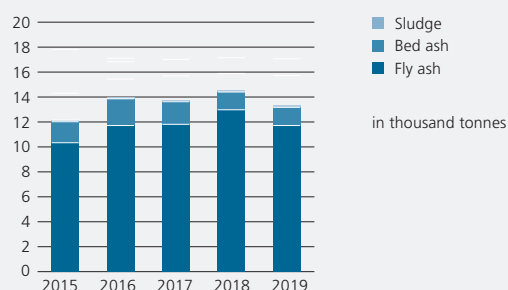
CO₂ emissions



Waste water produced



Solid waste produced



Exhaust air cleaning systems are provided at the Group's production facilities. Additional filter systems were installed in 2019 in China and the USA, and have substantially reduced dust development levels. Emergency concepts have been devised to cope with any production malfunction. These centre primarily on the scenario of fire. The Perlen site has its own fire service, which can be deployed if needed. The waste water produced by the Group's Perlen, Louisville and Donghai plants is processed in their own treatment facilities. Total groupwide waste water volume for the year amounted to 7.53 million cubic metres, an increase on the 6.67 million cubic metres of 2018.

Of the solid waste produced by the Group's paper processing and packaging film production activities, the biomass elements are used to generate heat and electricity in its own Perlen facility. The combustion process produces ash. Solid waste is also produced in the paper manufacturing process in the form of sludge. Some 11 767 tonnes of fly ash and 115 tonnes of paper sludge were reused in brickworks and the cement industry in 2019, while 1 455 tonnes of bed ash were deposited at waste disposal sites. The solid waste generated in the production of molecular sieves consists of silicate-aluminium-clay compounds and is of natural origin. As a result, it can be reburied.

Quality

Consistently high quality is a hallmark of all the products of the CPH Group. This makes stringent demands on its processes, which are audited to international standards (see table below). Production sites are subjected to regular audits by customers and by independent certification bodies. The Donghai and Zvornik plants earned their first-ever certification to ISO 14001 environmental standards in 2019. The Packaging Division aligns its film manufacturing to the pharmaceutical sector's Good Manufacturing Practice (GMP) standards.

The CPH Group also promotes energy efficiency in the climate protection project of the Swiss private sector's energy agency, and is a member of Responsible Care, a global continuous improvement initiative in the environmental, health and safety fields.

The Paper Division adopted an incentive system in 2018 to improve the quality of the waste paper it receives by discouraging recovered paper deliveries with high foreign-matter content. The new system generated added value of CHF 0.5 million in 2019.

Production site quality certifications	Chemistry				Paper		Packaging				
	Rüti	Louisville	Donghai	Zvornik	Perlen	Utzenstorf	Perlen	Müllheim	Whippany	Suzhou	Anápolis
ISO 9001	•	•	•	•	•	•	•	•	•	•	•
ISO 14001 (environmental)			•	•	•	•					
ISO 15378 (GMP)							•	•		•	•
ISO 50001 (energy)								•			
ISO 45001 (safety)					•	•					
FDA, USA DMF Nos. 10686, 9072 and 30501							•	•		•	
EU Ecolabel, Blue Angel					•						
FSC COC, PEFC COC					•						
ECO SWISS CO ₂					•						

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Consolidated income statement

	Note	2019	2018
Net sales	1	524 657	533 543
Changes to semi-finished and finished inventories		9 330	6 991
Other operating income	2	5 600	6 549
Goods and services on own account		87	291
Total income		539 674	547 374
Cost of materials		260 248	269 819
Energy costs		52 537	55 283
Personnel cost	3	92 902	92 337
Outsourced maintenance/repairs		19 913	18 833
Other operating expense	4	26 080	27 981
Earnings before interest, taxes, depreciation and amortization (EBITDA)		87 994	83 121
Depreciation on tangible fixed assets	16	30 225	30 396
Depreciation on intangible assets	15	1 169	1 092
Earnings before interest and taxes (EBIT)		56 600	51 633
Financial income	5	491	710
Financial expense	6	6 138	6 686
Financial result		-5 647	-5 976
Earnings before taxes and non-operating/extraordinary items		50 953	45 657
Non-operating result	7	826	60
Extraordinary result	8	0	0
Earnings before taxes		51 779	45 717
Income taxes	9	3 326	3 437
Net result for the year		48 453	42 280
– attributable to shareholders of CPH Chemie + Papier Holding AG		48 341	42 293
– attributable to minorities		112	-13
in CHF	Note	2019	2018
Net result after minorities per share	31	8.06	7.05
Diluted net result per share	31	8.06	7.05

Consolidated balance sheet

	Note	31.12.2019		31.12.2018	
		in CHF thousand	in %	in CHF thousand	in %
Assets					
Liquid funds	10	93 096	13	89 018	11
Securities	10	25	0	29	0
Trade accounts receivable	11	72 395	10	72 052	9
Other receivables	12	13 979	2	13 065	2
Prepaid expenses and accrued income		8 567	1	9 162	1
Inventories	13	78 543	11	69 649	9
Short-term financial receivables	14	36	0	100 322	13
Total current assets		266 641	38	353 297	44
Intangible assets	15	5 596	1	5 842	1
Tangible fixed assets	16	366 382	52	376 054	47
Long-term financial assets	17	10 000	1	10 000	1
Assets from employer contribution reserves	3/18	11 078	2	11 078	1
Pension scheme assets	3/18	11 350	2	11 406	1
Other long-term receivables	19	31 148	4	31 803	4
Prepaid taxes		463	0	989	0
Total fixed assets		436 017	62	447 172	56
Total assets		702 658	100	800 469	100
Equity and liabilities					
Trade accounts payable	20	66 253	9	69 746	9
Other payables	21	3 636	1	4 077	1
Accrued liabilities and deferred income	22	16 253	2	20 001	2
Short-term financial liabilities	23/25	5 889	1	5 788	1
Corporate bonds issued	23/25	0	0	120 000	15
Short-term provisions	24	3 822	1	1 204	0
Total current liabilities		95 853	14	220 816	28
Long-term financial liabilities	25	16 770	2	20 471	3
Corporate bonds issued	25	100 000	14	100 000	12
Pension scheme liabilities	3/18	678	0	1 270	0
Other long-term liabilities		600	0	816	0
Long-term provisions	26	47 468	7	49 952	6
Total long-term liabilities		165 516	23	172 509	21
Total liabilities		261 369	37	393 325	49
Share capital		12 000	2	12 000	1
Capital reserves		4 174	1	14 975	2
Treasury shares	32	-45	0	-84	0
Profit reserves		375 241	53	336 304	42
Net result for the year		48 341	7	42 293	5
Total equity excluding minorities		439 711	63	405 488	51
Minorities		1 578	0	1 656	0
Total equity including minorities		441 289	63	407 144	51
Total equity and liabilities		702 658	100	800 469	100

Consolidated cash flow statement

	Note	2019	2018 ¹⁾
Net result for the year (including minorities)		48 453	42 280
Depreciation on tangible and intangible assets	15/16	31 393	31 488
Impairments to inventories and replacement parts	13	396	240
Loss/(Profit) on fixed-asset sales		-801	-348
Change in employer contribution reserves, pension scheme assets/liabilities		-536	821
Book gains on securities		4	9
Increase in/(Release of) short-term provisions	24	3 115	30
Increase in/(Release of) long-term provisions	26	-2 027	-762
Use of provisions	24/26	-853	-5 382
Increase impairments to trade accounts receivable	11	292	428
Release of/(Increase in) prepaid taxes		507	157
Cash flow		79 943	68 961
Decrease/(Increase) in securities		0	0
Decrease/(Increase) in trade accounts receivable	11	-1 319	5 017
Decrease/(Increase) in other receivables and prepaid expenses		-583	-2 722
Decrease/(Increase) in inventories	13	-10 176	-8 568
Increase/(Decrease) in trade accounts payable	20	-2 823	-1 129
Increase/(Decrease) in other and accrued liabilities	21/22	-4 015	2 731
Decrease/(Increase) in net current assets		-18 916	-4 671
Cash flow from operating activities		61 027	64 290
Investments in tangible fixed assets	16	-21 888	-22 299
Disposals of tangible fixed assets	16	816	6 314
Investments in intangible assets	15	-971	-2 167
Investments in business activities	27	0	-27 864
Investments in financial and other long term receivables	14/19	0	-100 301
Disposal of financial and other long term receivables	14/19	100 942	1 539
Cash flow from investment activities		78 899	-144 778
Free cash flow		139 926	-80 488
Increase/(Decrease) in short-term financial liabilities	23	-3 393	-4 014
Issue/(Redemption) of corporate bonds	25	-120 000	100 000
Increase/(Decrease) in long-term financial liabilities	25	-1 111	-3 002
Increase/(Decrease) in other long-term liabilities		-214	497
Treasury share purchases/sales	32	36	41
Dividends to shareholders		-10 921	-3 899
Cash flow from financing activities		-135 603	89 623
Currency translation effects		-245	-262
Net change in cash and cash equivalents		4 078	8 873
Cash and cash equivalents at 1 January		89 018	80 145
Change		4 078	8 873
Cash and cash equivalents at 31 December		93 096	89 018

1) Restatement (see consolidated accounting principles)

Consolidated statement of changes in equity

in CHF thousand	Share capital	Capital reserves	Treasury shares	Goodwill	Retained earnings	Equity excluding minorities	Minorities	Equity including minorities
As at 31.12.2017	30 000	845	-96	-37 903	400 429	393 275	2 970	396 245
Dividends to shareholders		-3 899				-3 899		-3 899
Goodwill offset with equity				-23 833		-23 833		-23 833
Change in minorities						0	-1 176	-1 176
Nominal value reduction	-18 000	18 000				0		0
Net result for current year					42 293	42 293	-13	42 280
Treasury share purchases			-1 306			-1 306		-1 306
Treasury share sales		29	1 318			1 347		1 347
Impact of currency translation					-2 389	-2 389	-125	-2 514
As at 31.12.2018	12 000	14 975	-84	-61 736	440 333	405 488	1 656	407 144
Dividends to shareholders		-10 798				-10 798	-123	-10 921
Net result for current year					48 341	48 341	112	48 453
Treasury share purchases			-1 358			-1 358		-1 358
Treasury share sales		-3	1 397			1 394		1 394
Impact of currency translation					-3 356	-3 356	-67	-3 423
As at 31.12.2019	12 000	4 174	-45	-61 736	485 318	439 711	1 578	441 289

The statutory reserves of the holding company and its subsidiaries amounted to CHF 21.3 million on 31 December 2019 (prior year: CHF 46.6 million). Of this amount, CHF 9.3 million (prior year: CHF 14.6 million) cannot be distributed.

The company held 572 treasury shares on 31 December 2019 (prior year: 1 063). For further details see Note 32.

With no companies acquired in the period, no goodwill was offset against equity for 2019 (prior year: CHF 23.8 million). See also Notes 15 and 27.

Consolidated accounting principles

General remarks

The consolidated financial statements of the CPH Group are compiled in full accordance with the currently valid Swiss GAAP Accounting and Reporting Recommendations (ARRs). These consolidated financial statements give a true and fair view of the financial positions, earnings and cash flows, and are based on historical values.

The Swiss GAAP ARRs were unchanged in 2019, and the consolidated accounting principles below are also unchanged from the prior year, with the exception of the following:

In previous accounting years, cash flows from short-term and long-term financial investments and financial receivables and from other long-term receivables were shown as financing transactions. Following a corresponding adjustment, such transactions are now classified as investment transactions. For 2018 the change relates primarily to the presentation of the proceeds from the issue of a new corporate bond, which was invested in a fixed-term deposit until it was required to repay an earlier corporate bond on 10 July 2019. The new policy resulted in the restatement of the relevant 2018 positions.

Significant management estimates

For the compilation of the consolidated financial statements, estimates and assumptions must be made which may impact on the accounting principles to be used and on the amounts shown under assets, liabilities, income and expenditures and the presentation thereof.

Definitions

“Goodwill” is an intangible asset that arises when a company or part thereof is acquired.

In accordance with the Swiss GAAP ARRs, the cash flow statement shows as funds only cash and cash equivalents (excluding securities and fixed-term deposits of more than 90 days). Cash flow is calculated using the Indirect Method.

“Related parties” are regarded as any company or person that either exerts a substantial influence on the CPH Group or is controlled by the same, together with the occupational pension schemes of group member companies.

Alternative performance measures and indicators not defined in the Swiss GAAP ARRs

For the reader's benefit, CPH has added certain specific intermediate totals which can be deduced from the tables concerned. An overview of the alternative performance measures currently used by CPH is available for download under “Investors/Alternative performance measures” on the CPH website ([https://cph.ch/en/investors/Alternative performance measures](https://cph.ch/en/investors/Alternative%20performance%20measures)).

Consolidation principles

Scope and method of consolidation

The consolidated financial statements consist of the annual financial statements of CPH Chemie+Papier Holding AG, Perlen, and of those group member companies in and outside Switzerland in which CPH Chemie+Papier Holding AG, Perlen directly or indirectly holds more than 50% of voting rights. The balance sheet date for all CPH Group member companies is 31 December.

In accordance with the Purchase Method used for fully consolidated companies, assets and liabilities and income and expenditures are incorporated in full. Intercompany balances and transactions have been eliminated.

The shares of minority shareholders or minority partners in the equity and the results of consolidated companies are shown separately but also as part of the consolidated equity and result. Intermediate profits on stocks from deliveries within the Group have been eliminated.

Group member companies acquired in the course of the year are consolidated from the date of CPH's assumption of control. Group member companies disposed of in the course of the year are deconsolidated from the date of CPH's cession of control. When a company is acquired, its net assets are determined at their current value and integrated using the Purchase Method. The resulting goodwill is offset against equity. In the case of successive acquisitions of minorities, the goodwill is determined separately for each acquisition step.

If the purchase price of an acquisition includes elements that are linked to future earnings, the value of these elements is estimated as accurately as possible at the time of acquisition for goodwill calculation purposes. Should there be deviations from these estimates when the final purchase price is determined, the goodwill offset against group equity is adjusted accordingly.

For the scope of consolidation and the changes thereto in 2019, please see Note 27 in the “Additional information on the consolidated financial statements” and the “List of major shareholdings” on Page 72.

Foreign currency translation

The consolidated financial statements are presented in Swiss francs (CHF). The financial statements of the Group's constituent companies are presented in the local currency. The financial statements of subsidiaries which are in currencies other than the Swiss franc are translated into Swiss francs as follows:

All assets and liabilities on the balance sheets are translated into Swiss francs at the exchange rate ruling on the balance sheet date (the Effective Date Method). Any differences arising from the use of differing translation rates in the course of such translation are taken to equity.

Foreign-currency income and expenditure in the income statements are translated at the average rates ruling for the year. Any translation differences resulting from the application of different exchange rates in the balance sheet (effective date) and the income statement (average rate) are taken to equity with no impact on the income statement. Any translation differences arising from long-term intragroup financing of an equity nature are also taken directly to equity. In the event of the disposal of a foreign subsidiary, the associated translation differences to date are taken straight to the income statement.

Positions held in foreign currencies are translated using the Effective Date Method. All assets and liabilities are translated at the exchange rate ruling on the balance sheet date. Transactions in foreign currencies are translated at the exchange rate ruling on the date of the transaction. The effects of these foreign currency adjustments are taken straight to the income statement.

For the most important foreign currencies, the following CHF translation rates were used:

	2019	2018
Balance sheets: year-end rates		
EUR	1.0870	1.1270
USD	0.9680	0.9860
CNY (CHF per 100 CNY)	13.9000	14.3600
HKD (CHF per 100 HKD)	12.4300	12.5900
BAM	0.5558	0.5762
BRL	0.2400	0.2540
Income statements/ cash flow statements: average rates		
EUR	1.1120	1.1550
USD	0.9940	0.9780
CNY (CHF per 100 CNY)	14.3900	14.8000
HKD (CHF per 100 HKD)	12.6800	12.4800
BAM	0.5686	0.5905
BRL	0.2520	0.2690

Capitalization and valuation principles

Liquid funds

Liquid funds consist of cash on hand, postal and bank account balances and fixed-term deposits originally maturing in 90 days or less.

Securities

Securities are readily marketable financial and capital investments managed internally or externally. They are stated at their current market value.

Trade accounts receivable

Trade accounts receivable consist of amounts due for deliveries made and services rendered that have been invoiced but not yet paid. Their values are generally adjusted individually. Such individual adjustments include any amounts overdue for at least 120 days. Blanket adjustments are also made, based on past experience.

Other receivables

Other receivables consist of short-term claims that are not based on deliveries made and/or services rendered. Other receivables are stated at their nominal value, less any value adjustments.

Prepaid expenses and accrued income

This item consists of expenses paid in the current accounting period that will be incurred in a later accounting period, and of income not accounted until after the balance sheet date.

Inventories

Inventories are stated at their average purchase or production costs, but at no higher than their realizable liquidation value. Any discounts received on purchases are treated as purchase price reductions. The Lower of Cost or Market Value Principle is applied. The values of semi-finished and finished inventories include an appropriate proportion of their production overheads. Value adjustments are effected for obsolete stock.

Short-term financial receivables

These include interest-bearing receivables with a maturity of up to one year, and are reported at nominal value less any value adjustments.

Intangible assets

Intangible assets include licences, patents, brands and software acquired from third parties. These are valued at their purchase price or manufacturing cost less any amortization required. Amortization is effected on a straight-line basis over the item's useful life, up to a maximum five-year period.

The goodwill deriving from acquisitions is offset against retained earnings at the time of acquisition. In the event of the disposal of a part of the business, any associated goodwill previously offset against equity is taken to the income statement. The impact of any theoretical capitalization and amortization is shown in the notes. For theoretical accounting purposes, goodwill is basically written down over its useful economic life, and generally over five years.

Tangible fixed assets

Land is capitalized at its purchase price less any devaluation. Other tangible fixed assets (buildings, structures, plant, machinery, installations, vehicles, movable property, other equipment and production and business facilities) are capitalized at a maximum of their purchase price or manufacturing cost less any depreciation required under normal business practice. The useful lives assumed for depreciation purposes are as follows:

Residential property	50–100 years
Industrial buildings & installations	25–50 years
Plant and equipment	10–30 years
Movable property and vehicles	3–5 years

All depreciation is effected using the straight-line method.

Long-term financial assets

This item comprises all holdings of 20% or less in the capital of other organizations. These are shown at their purchase price less any value adjustments required.

Long-term financial receivables

This item comprises all long-term interest-bearing loans with a maturity of more than one year, which are shown at their (undiscounted) nominal value less any value adjustments.

Assets from employer contribution reserves

In accordance with Swiss GAAP ARR 16, employer contribution reserves or comparable positions are listed as assets. Any differences from the corresponding value in the prior accounting period are taken to the income statement as personnel cost.

Pension scheme assets

Any economic benefits deriving from occupational pension schemes are capitalized here. Any differences from the corresponding value in the prior accounting period are taken to the income statement as personnel cost.

Asset impairments

All assets are assessed for any impairment in value on the balance sheet date. This assessment is based on any developments and/or indications which may suggest that an asset has been overvalued in its book value. If the asset's book value exceeds its realizable value (i.e. the higher of its net market value and its value in use), the resulting impairment will be taken to the income statement. If the factors previously considered in the calculations of an asset's realizable value have significantly improved, an impairment effected in an earlier period will subsequently be wholly or partially reversed via the income statement.

Other long-term receivables

This item includes all other non-interest-bearing long-term receivables due for payment more than one year after the balance sheet date.

Trade accounts payable

Trade accounts payable include all non-interest-bearing short-term liabilities resulting from ordinary business activities. They are stated at their nominal value.

Other payables

Other payables are short-term liabilities that are not classified as financial liabilities but derive from business activities. They are reported at their nominal value.

Accrued liabilities and deferred income

This item consists of liabilities incurred before the balance sheet date that will not be due for payment until a later accounting period, and of income accrued before the balance sheet date for a product or service to be provided in a later accounting period.

Short-term financial liabilities

This item consists of interest-bearing liabilities maturing in up to one year. These are stated at their nominal value.

(Short-term and long-term) provisions

Provisions are effected for likely liabilities arising from an event in the past (i.e. before the balance sheet date) whose extent and/or incurrence is uncertain but may be estimated. All provisions made are regularly reappraised (at least every year). Any release of provisions is effected via the same position through which the provision was originally effected. A distinction is made between short-term provisions (for liabilities likely to be incurred in up to one year) and long-term provisions (for liabilities likely to be incurred later than this). The changes in provisions are listed in the notes to the consolidated financial statements.

Long-term financial liabilities

This item consists of interest-bearing financial liabilities (bank loans and bonds) with a contractually-agreed maturity of more than one year. They are shown at nominal value.

Corporate bonds

Corporate bonds are shown at nominal value.

Pension scheme liabilities

Any economic liabilities deriving from pension schemes are capitalized here. Any differences from the corresponding value in the prior accounting period are taken to the income statement as personnel cost.

Other long-term liabilities

This item consists of non-interest-bearing liabilities with a maturity of more than one year. They are shown at nominal value.

Leases

Finance lease agreements are shown in tangible fixed assets and other financial liabilities if the associated risks and benefits are largely transferred to the CPH group member company concerned upon the lease's signing. Investment properties are shown at the lower of the cash value of the minimum leasing instalments or the current market value. The corresponding finance lease obligations are shown under

liabilities. Leasing instalments are divided into interest expense and repayment amounts using the Annuity Method. The item leased is depreciated over the shorter of its estimated service life or the lease's duration. Operating lease payments are taken to the income statement as other operating expense over the lease's duration.

Derivative financial instruments

Derivative financial instruments are treated according to their underlying motives. Hedges intended to offset currency movements are shown at their market value on the balance sheet date, with the resulting differences in value taken straight to the income statement. Hedges of future cash flows are not capitalized, but are shown in the notes to the consolidated financial statements (under Note 30.4).

Treasury shares

Treasury shares are shown at their original purchase price. The treasury shares held are shown as a negative item in equity. If they are later sold, the resulting profit or loss is taken directly to capital reserves.

Net sales and recording of sales

Net sales comprise the sales of products and services resulting from ordinary business activities. A sale is recorded when it is likely that its economic benefit will accrue to the Group and its amount can be reliably calculated. The sale is regarded as realized with the transfer to the customer of the benefit and the risks concerned. Silicate chemistry products, newsprint, magazine paper and coated films are the Group's main sales generators: sales from its services are of negligible importance. Net sales are sales less price reductions, rebates, discounts, special distribution charges, value-added tax and further deduction items.

Changes to semi-finished and finished inventories

This item contains the changes to semi-finished inventories, to work in progress and to finished inventories.

Other operating income

The operating income shown under this item derives mainly from energy and water sales and from leases on and rentals of business premises.

Cost of materials

This item contains all the costs of raw, auxiliary and operating materials, the cost of merchandise and expenses incurred through the outside manufacture or processing of the company's own products (third-party services).

Personnel cost

Personnel cost comprises all the amounts paid to employees who are members of the company workforce under employment law for the work they provide. It also includes all compulsory and voluntary social security contributions. It further includes other personnel expense such as the costs of temporary personnel, recruitment, initial and further training and the reimbursement of expenses incurred in connection with professional training.

Energy costs

Energy costs include the costs of electricity and steam obtained from outside suppliers, heating oil, natural gas, water and fuel wood.

Outsourced maintenance/repairs

This item contains the costs of repairs and maintenance (including the materials used) which are performed by third parties and are not capitalized, plus the materials used for the Group's own maintenance and repair activities.

Research and development

Research costs are taken straight to the income statement. Development costs are only capitalized if a future economic benefit can be demonstrated. If not, these are also taken straight to the income statement.

Other operating expense

This item contains sales and administration costs and further operating expenses.

Non-operating result

The non-operating result contains any income or expenses deriving from business or events that are clearly separate from operating activities.

Extraordinary result

The extraordinary result contains any income or expenses which derive extremely rarely from ordinary business activities and cannot be foreseen.

Income taxes

Provisions are made for all tax liabilities, regardless of when they are due for payment. Deferred income tax amounts are calculated for all temporary differences using the Balance Sheet Liability Method. Such temporary differences arise from deviations between the Swiss GAAP ARR values and the taxable values of assets and liabilities. If the taxable result differs from the consolidated profit for the year based on uniform valuation principles, the anticipated additional taxes are deferred. These differences result from the use of fiscally approved degressive depreciation methods and value adjustments.

The deferred taxes due on these deviation amounts are calculated using the local tax rates that are expected to apply. In the event of any changes to such rates or deviations therefrom, the deferred tax amounts are adjusted accordingly. Any change in provisions for deferred tax amounts is taken straight to the income statement.

Deferred taxes on temporary differences may only be recognized if they are likely to be fiscally offset through future profits. Deferred taxes on losses carried forward are not capitalized, in accordance with the consolidated accounting principles.

Additional information on the consolidated financial statements

1. Segment information

1.1 Net sales by region

in CHF thousand	2019	%	2018	%
Switzerland	74 494	14	72 842	14
Europe (excluding Switzerland)	322 071	62	341 325	64
The Americas	69 482	13	66 858	12
Asia	53 403	10	46 897	9
Rest of the world	5 207	1	5 621	1
Total	524 657	100	533 543	100

Total net sales were 1.7% (CHF 8.9 million) below their prior-year level, and 0.5% (CHF 2.5 million) down based on prior-year currency exchange rates and excluding acquisitions. The impact of currency movements amounted to -1.3% (CHF -6.8 million), while the impact of acquisitions/disposals amounted to 0.1% (CHF 0.4 million). Average Swiss-franc currency exchange rates were down 3.7% against the euro and up 1.6% against the US dollar.

1.2 Income statement by division

2019 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	Group
Net sales	78 212	293 236	153 209		524 657
EBITDA	9 491	54 511	23 746	246	87 994
in % of net sales	12.1	18.6	15.5		16.8
EBIT	4 403	34 724	17 263	210	56 600
in % of net sales	5.6	11.8	11.3		10.8

2018 in CHF thousand	Chemistry	Paper	Packaging	Other/ consolidation	Group
Net sales	79 422	301 133	152 988		533 543
EBITDA	10 714	50 856	21 568	-17	83 121
in % of net sales	13.5	16.9	14.1		15.6
EBIT	6 126	30 142	15 418	-53	51 633
in % of net sales	7.7	10.0	10.1		9.7

2. Other operating income

in CHF thousand	2019	2018
Energy sales	3 198	3 557
Rental income from business premises	498	485
Income from production waste	744	991
Miscellaneous	1 160	1 516
Total	5 600	6 549

Other operating income was CHF 0.9 million below its prior-year level, owing to lower energy sales in the Paper Division and the absence of the non-recurring income earned in 2018 through the closure of the Uetikon site.

3. Personnel cost

in CHF thousand	2019	2018
Salaries and wages	77 037	75 167
Pension scheme contributions and other social security costs	13 635	14 410
Other personnel costs	2 230	2 760
Total	92 902	92 337

Personnel cost rose 0.6% (CHF 0.6 million). The increase is due to the further expansion of activities in the Chemistry and Packaging divisions. In addition to the contributions to state social security institutions, "Pension scheme contributions and other social security costs" also includes the contributions to company pension schemes described in Note 18.

4. Other operating expense

The CHF 26.1 million of other operating expense (prior year: CHF 28.0 million) includes sales and administrative costs and further operating expenses. Other operating expense was 6.8% below its prior-year level thanks to active cost management in all three divisions.

5. Financial income

in CHF thousand	2019	2018
Interest income	42	42
Other financial income	424	642
– currency exchange rate gains	399	631
– further financial income	25	11
Income from securities	25	26
Total	491	710

Financial income was CHF 0.2 million below its prior-year level, owing to lower exchange rate gains on amounts held in foreign currencies.

6. Financial expense

in CHF thousand	2019	2018
Interest expense	4 648	4 769
– interest paid	6 202	4 332
– changes in deferred interest due	–1 554	437
Other financial expense	1 486	1 903
– currency exchange rate losses	1 160	1 094
– further financial expense	326	809
Expenditure on securities	4	14
Total	6 138	6 686

Financial expense was CHF 0.5 million below its prior-year level owing to lower further financial expense (which in 2018 had included the cost of issuing the new corporate bond).

7. Non-operating result

The non-operating income of CHF 1.4 million (prior year: CHF 0.5 million) includes rental income and sale proceeds from non-operating real estate in Buchrain (CHF 0.8 million; prior year CHF 0.3 million) and Full-Reuenthal (CHF 0.6 million; prior year CHF 0.0 million). The non-operating expense of CHF 0.6 million (prior year: CHF 0.4 million) consists of expenditure relating to the sale and management of non-operating real estate in Uetikon, Perlen, Buchrain and Full-Reuenthal.

8. Extraordinary result

There was no extraordinary income or extraordinary expense in the 2019 financial year or the prior year.

9. Income taxes

in CHF thousand	2019	2018
Current income taxes	3 124	3 944
Deferred taxes	202	-507
Total	3 326	3 437

Despite a CHF 6.1 million year-on-year increase in earnings before taxes, income tax expense for 2019 was CHF 0.1 million below its prior-year level, as a result of the carry-forward of losses from previous years and changes in the profit situation at various group member companies. Tax rates vary between 10% and 34% (prior year: between 5% and 43%) depending on the country and the location.

Income taxes for 2019	Tax rate in %	Tax amount in CHF thousand
Earnings before taxes and extraordinary items		50 953
Weighted average tax rate expected/estimated tax expense	14.2	7 253
Non-operating and extraordinary result		826
Weighted average tax rate expected/estimated tax expense	12.6	104
Earnings before taxes		51 779
Weighted average tax rate expected/estimated tax expense	14.2	7 357
Impact of losses carried forward not recognized in current year in tax terms		18
Impact of losses carried forward not previously recognized in tax terms		-4 500
Taxes paid in prior years		-35
Other effects		487
Tax rate/tax expense as per income statement	6.4	3 326

The Group's expected income tax rate for 2019 amounts to 14.2% (prior year: 14.9%). This is the weighted average tax rate based on the individual profits/losses before taxes and tax rates for each group member company. The change in this expected income tax rate is due to the profit situation and changed tax rates at the various group member companies. The difference between the estimated tax expense and the income tax expense shown in the income statement is attributable largely to the offsetting of losses carried forward from previous years.

In accordance with the consolidated accounting principles, deferred taxes on losses carried forward are not capitalized. Uncapitalized losses carried forward amount to CHF 199.5 million (prior year: CHF 186.0 million), with a potential tax impact of CHF 11.8 million (prior year: CHF 14.7 million), paying due regard to the multi-year plan and the provisions of and possibilities under the relevant national tax laws. None of these losses carried forward are of indefinite duration, and CHF 108.0 million thereof will expire within a year.

Income taxes for 2018	Tax rate in %	Tax amount in CHF thousand
Earnings before taxes and extraordinary items		45 657
Weighted average tax rate expected/estimated tax expense	14.9	6 808
Non-operating and extraordinary result		60
Weighted average tax rate expected/estimated tax expense	-	-17
Earnings before taxes		45 717
Weighted average tax rate expected/estimated tax expense	14.9	6 792
Impact of losses carried forward not recognized in current year in tax terms		262
Impact of losses carried forward not previously recognized in tax terms		-3 811
Taxes paid in prior years		133
Other effects		61
Tax rate/tax expense as per income statement	7.5	3 437

10. Liquid funds and securities

Despite a reduction in financial liabilities, liquid funds were increased from CHF 89.0 million to CHF 93.1 million thanks to the positive business development in 2019.

11. Trade accounts receivable

in CHF thousand	2019	2018
Receivables from third parties	81 865	81 247
Receivables from associates	0	0
Provisions for doubtful debts	-9 470	-9 195
– individual adjustments	-9 469	-9 189
– blanket adjustments	-1	-6
Total	72 395	72 052

Individual adjustments were effected to certain doubtful receivables. The individual adjustments for 2019 were not substantially different from their prior-year levels. Such adjustments were increased slightly for the Chemistry Division.

12. Other receivables

Other receivables were CHF 0.9 million above their prior-year level. The increase is attributable largely to sales of real estate and infrastructural development (see Note 7).

13. Inventories

13.1 Inventories by division

in CHF thousand	2019	2018
Chemistry	30 331	25 383
Paper	29 821	25 805
Packaging	18 391	18 461
Total	78 543	69 649

13.2 Inventories by type

in CHF thousand	2019	2018
Raw materials	15 460	16 146
Auxiliary and operating materials	14 888	14 286
Finished and semi-finished products	47 407	38 126
Goods for resale	788	1 091
Total	78 543	69 649

Inventories were subjected to an overall impairment of CHF 2.8 million (prior year: CHF 2.5 million). Inventory levels of finished and semi-finished products rose in 2019 in the Chemistry and Paper divisions, owing to more modest demand in the second half of the year.

14. Short-term financial receivables

Short-term financial receivables for 2018 contained the funds generated from the CHF 100.0 million corporate bond issue of 12 October 2018, which were used to repay the CHF 120.0 million CPH 2014-2019 corporate bond. The amount was invested in a fixed-term deposit which matured on 9 July 2019.

15. Intangible assets

Intangible assets in 2019 in CHF thousand	Software, licences and patents	Other intangible assets	Total intangible assets
At purchase values			
Opening balance on 1.1.2019	14 968	1 202	16 170
Currency impact on opening balance	-94	-29	-123
Additions	971		971
Disposals/reclassifications	-71		-71
Currency impact on movements	-5		-5
Closing balance on 31.12.2019	15 769	1 173	16 942
Depreciation			
Opening balance on 1.1.2019	9 915	413	10 328
Currency impact on opening balance	-71	-4	-75
Depreciation for the period	1 144	25	1 169
Disposals/reclassifications	-71		-71
Currency impact on movements	-5		-5
Closing balance on 31.12.2019	10 912	434	11 346
Book value on 1.1.2019	5 053	789	5 842
Book value on 31.12.2019	4 857	739	5 596

The additions position reflects major investments in new ERP systems (software) for the Paper and Packaging divisions.

Intangible assets in 2018 in CHF thousand	Software, licences and patents	Other intangible assets	Total intangible assets
At purchase values			
Opening balance on 1.1.2018	12 902	1 234	14 136
Currency impact on opening balance	-93	-33	-126
Change in consolidated companies			0
Additions	2 167		2 167
Disposals/reclassifications			0
Currency impact on movements	-8	1	-7
Closing balance on 31.12.2018	14 968	1 202	16 170
Depreciation			
Opening balance on 1.1.2018	8 925	389	9 314
Currency impact on opening balance	-70	-1	-71
Depreciation for the period	1 067	25	1 092
Disposals/reclassifications			0
Currency impact on movements	-7		-7
Closing balance on 31.12.2018	9 915	413	10 328
Book value on 1.1.2018	3 977	845	4 822
Book value on 31.12.2018	5 053	789	5 842

The goodwill deriving from the acquisitions of business activities was offset directly against equity (see Note 27).

The additions position reflects major investments in a new ERP system (software) for the Chemistry Division.

Goodwill is offset against equity (retained earnings) at the time of its acquisition. The impact of a theoretical capitalization of goodwill with five-year straight-line amortization on the balance sheet and income statement is shown below:

Theoretical goodwill movement

in CHF thousand	2019	2018
At purchase values		
Opening balance on 1.1.	61 736	37 903
Additions	0	23 833
Closing balance on 31.12.	61 736	61 736
Depreciation		
Opening balance on 1.1.	37 061	30 188
Depreciation for the period	7 203	6 873
Closing balance on 31.12.	44 264	37 061
Net book value of goodwill on 1.1.	24 675	7 715
Net book value of goodwill on 31.12.	17 472	24 675

Impact of goodwill on the income statement

in CHF thousand	2019	2018
Earnings before interest and taxes (EBIT)	56 600	51 633
EBIT margin in % of net sales	10.8	9.7
Depreciation of goodwill	-7 203	-6 873
Theoretical earnings before interest and taxes (EBIT), including depreciation of goodwill	49 397	44 760
Theoretical EBIT in % of net sales	9.4	8.4
Net result for the year	48 453	42 280
Depreciation of goodwill	-7 203	-6 873
Theoretical net result, including depreciation of goodwill	41 250	35 407

Impact of goodwill on the balance sheet

in CHF thousand	2019	2018
Equity as per balance sheet	441 289	407 144
Equity in % of balance sheet total	62.8	50.9
Theoretical capitalization of net book value of goodwill	17 472	24 675
Theoretical equity, including net book value of goodwill	458 761	431 819
Theoretical equity in % of balance sheet total, including net book value of goodwill	63.7	52.3

16. Tangible fixed assets

Tangible fixed assets for 2019	Undeveloped land	Developed land and buildings	Plant and equipment	Other facilities	Fixtures in rented property	Vehicles	Assets under construction	Total
in CHF thousand								
At purchase values								
Opening balance on 1.1.2019	5 766	337 216	690 585	329 367	6 176	10 591	9 437	1 389 138
Currency impact on opening balance	-16	-1 576	-2 760	-317	-41	-18	-113	-4 841
Investments		401	6 104	2 469		1 471	12 456	22 901
Disposals	-7	-4	-1 337	-2 141	-2	-779		-4 270
Reclassifications		830	3 082	562	1 157	49	-5 680	0
Currency impact on movements		-43	-89	4		1	-25	-152
Closing balance on 31.12.2019	5 743	336 824	695 585	329 944	7 290	11 315	16 075	1 402 776
Depreciation								
Opening balance on 1.1.2019	95	146 495	398 071	214 678	1 966	9 043	0	770 348
Currency impact on opening balance	-3	-427	-1 820	-189	-39	-11		-2 489
Depreciation for the period	10	5 249	17 622	6 314	474	556		30 225
Disposals		-4	-1 337	-2 141	-2	-772		-4 256
Reclassifications								0
Currency impact on movements	0	-39	-137	8	-2			-170
Closing balance on 31.12.2019	102	151 274	412 399	218 670	2 397	8 816	0	793 658
Impairments								
Opening balance on 1.1.2019	0	53 225	138 732	50 779	0	0	0	242 736
Currency impact on opening balance								0
Impairments for the period								0
Release of impairments for the period								0
Disposals								0
Reclassifications								0
Closing balance on 31.12.2019	0	53 225	138 732	50 779	0	0	0	242 736
Opening balance on 1.1.2019	5 671	137 496	153 782	63 910	4 210	1 548	9 437	376 054
Closing balance on 31.12.2019	5 641	132 325	144 454	60 495	4 893	2 499	16 075	366 382

Tangible fixed assets for 2019 include a net book value of CHF 0.8 million for leased assets (vehicles) capitalized through finance leases maturing between 2021 and 2023. Leasing liabilities amount to CHF 0.9 million, of which CHF 0.4 million are short-term. There were no major finance lease agreements in 2018.

There were no indications as of 31 December 2019 that any impairment may be necessary on any production facilities.

Tangible fixed assets for 2018	Undeveloped land	Developed land and buildings	Plant and equipment	Other facilities	Fixtures in rented property	Vehicles	Assets under construction	Total
in CHF thousand								
At purchase values								
Opening balance on 1.1.2018	5 789	327 817	768 895	329 729	4 005	11 150	24 332	1 471 717
Currency impact on opening balance	-21	-979	-1 435	-247	8	-8	-298	-2 980
Change in consolidated companies		1 698	161	65			720	2 644
Investments		1 816	6 190	6 220	2 166	363	5 544	22 299
Disposals	-2	-72	-95 922	-7 030	-3	-905	-211	-104 145
Reclassifications		7 311	12 816	643		-12	-20 758	0
Currency impact on movements		-375	-120	-13		3	108	-397
Closing balance on 31.12.2018	5 766	337 216	690 585	329 367	6 176	10 591	9 437	1 389 138
Depreciation								
Opening balance on 1.1.2018	89	141 419	469 421	215 373	1 853	9 326	0	837 481
Currency impact on opening balance	-4	-128	-787	-124	8	-1		-1 036
Depreciation for the period	10	5 297	18 155	6 370	109	455		30 396
Disposals		-72	-88 618	-6 928	-4	-737		-96 359
Reclassifications								0
Currency impact on movements		-21	-100	-13				-134
Closing balance on 31.12.2018	95	146 495	398 071	214 678	1 966	9 043	0	770 348
Impairments								
Opening balance on 1.1.2018	0	53 225	146 027	50 722	0	0	211	250 185
Currency impact on opening balance								0
Impairments for the period								0
Release of impairments for the period								0
Disposals			-7 295	57			-211	-7 449
Reclassifications								0
Closing balance on 31.12.2018	0	53 225	138 732	50 779	0	0	0	242 736
Opening balance on 1.1.2018	5 700	133 173	153 447	63 634	2 152	1 824	24 121	384 051
Closing balance on 31.12.2018	5 671	137 496	153 782	63 910	4 210	1 548	9 437	376 054

The "Change in consolidated companies" line shows the impact of acquisitions of business activities (see Note 27 and the "List of major shareholdings" on Page 72). The paper machines of Perlen Papier AG were assessed in detail in 2018 in terms of their current value. No impairment was deemed necessary. Major individual investments totalling CHF 6.5 million were made in 2018 in establishing and developing the Chemistry Division's new Rüti (Switzerland) site.

17. Long-term financial assets

in CHF thousand	Long-term financial assets
At purchase values	
Opening balance on 1.1.2019	10 000
Investments	0
Disposals	0
Currency impact on movements	0
Closing balance on 31.12.2019	10 000
At purchase values	
Opening balance on 1.1.2018	10 000
Investments	0
Disposals	0
Currency impact on movements	0
Closing balance on 31.12.2018	10 000

As in 2018, the long-term financial assets consist of the 10% equity holding in waste incinerator company Renergia Zentralschweiz AG, Root, with which a supply agreement has been concluded for the provision of low-pressure steam to the Perlen paper factory.

18. Assets from employer contribution reserves and pension schemes

18.1 Pension schemes in Switzerland (551 working insureds)

Employer contribution reserve (ECR) in CHF thousand	Nominal value	Appropriation waiver	Other value adjustments	Discount	Balance sheet	Balance sheet	ECR result in personnel cost	
	31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2018	2019	2018
Pension schemes	11 078				11 078	11 078	0	-85
Total	11 078	0	0	0	11 078	11 078	0	-85

Economic benefit/economic obligation and pension scheme expense in CHF thousand	Funding surplus/shortfall as per Swiss GAAP ARR 26	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel cost	
	31.12.2019	31.12.2019	31.12.2018	31.12.2019	31.12.2019	2019	2018
CPH Group Pension Scheme					3 699	3 699	3 167
APV Uetikon (until 31.12.2018)							247
CU Chemie Uetikon AG Pension Scheme (until 31.12.2018)							234
Pension schemes without funding surplus/shortfall	0	0	0	0	3 699	3 699	3 648
UBV Betriebs- und Verwaltungs AG Staff Welfare Fund	645						
Perlen Group Assistance Fund	11 350	11 350	11 406	56	0	56	200
Employer's funds	11 995	11 350	11 406	56	0	56	200
Total	11 995	11 350	11 406	56	3 699	3 755	3 848

Under the corresponding investment regulations, a pension scheme is considered to have a funding surplus if it has a fluctuation reserve amounting to 15% or more of its total asset investments.

The APV Uetikon pension schemes and the CU Chemie Uetikon AG pension scheme were integrated into the CPH Group Pension Scheme with effect from 1 January 2019. This is a defined-contributions pension scheme offering old-age, death and disability benefits. Employer's contributions are strictly defined in the scheme's regulations and deed of trust. The companies concerned do not bear any primary risk, i.e. the insurance and investment risks are borne primarily by the pension scheme itself. Actuarial recalculations are regularly conducted.

The latest static recalculation of actuarial capital was performed on 31 December 2018, based on an actuarial interest rate of 2.0%, the actuarial foundations of the BVG 2015 Generation Table and a conversion factor of 5.8%. Actuarial capital has since been further developed in line with insuree numbers effective 31 December 2019. With the exception of the employer contribution reserve of CHF 11.1 million (prior year: CHF 11.1 million), all the schemes' surpluses are payable solely to their beneficiaries. According to their provisional balance sheets, the schemes had an average funding ratio of 116% as of 31 December 2019 (prior-year actual average funding ratio: 106%).

The UBV Uetikon Betriebs- und Verwaltungs AG Staff Welfare Fund

The UBV Uetikon Betriebs- und Verwaltungs AG Staff Welfare Fund is an employer's fund for all employees working at the CPH Group's companies in Uetikon and Rüti. The Fund provides provident benefits for employees and financial assistance for employees and their families in hardship situations. Contributions to it are made solely by the employer. The Fund's freely disposable trust capital (including fluctuation reserves) amounted to CHF 0.8 million on 31 December 2019 (prior year: CHF 3.5 million). The reduction is due to a one-off deposit into the CPH Group Pension Scheme as part of its assimilation of the APV Uetikon and CU Chemie Uetikon AG schemes.

The Perlen Group Assistance Fund, Perlen

The Perlen Group Assistance Fund is an employer's fund for all employees working at the CPH Group's Perlen site. The Fund provides provident benefits for employees and financial assistance for employees and their families in hardship situations. Contributions to it are made solely by the employer. The Fund can also be used to finance employer's contributions to the occupational pension schemes of the Group's Perlen-based companies. The Fund paid CHF 0.0 million to these schemes for such purposes in 2019 (prior year: CHF 0.0 million). The Fund's freely disposable trust capital (including fluctuation reserves) amounted to CHF 13.5 million on 31 December 2019 (prior year: CHF 13.6 million).

As for 2018, economic interest was calculated based on freely disposable trust capital excluding fluctuation reserves.

18.2 Pension schemes outside Switzerland

Economic benefit/ economic obligation	Funding surplus/ shortfall	Economic interest of company		Change from prior year or recognized in income statement	Accrued contributions for the period	Pension scheme expense in personnel cost	
	31.12.2019	31.12.2019	31.12.2018	31.12.2019	31.12.2019	2019	2018
Pensions scheme expense in CHF thousand							
USA					492	492	448
Pension schemes without funding surplus/shortfall	0	0	0	0	492	492	448
USA	-678	-678	-1 270	-592		-592	706
Pension schemes with funding shortfall	-678	-678	-1 270	-592	0	-592	706
Total	-678	-678	-1 270	-592	492	-100	1 154

USA (108 insurees): In the USA the Group has one defined-contributions scheme and one defined-benefits scheme. Defined Contribution Plan 401 K is a purely contributions-based savings scheme that does not expose the company to any liability and has neither a surplus nor a shortfall. The defined-benefits scheme is the traditional form of pension scheme for all employees. The contributions are paid by the employer. The defined-benefits scheme currently has a funding shortfall of USD 700 000 (prior year: USD 1 288 000). The calculations were made using the Current Liability Method, under which no regard is paid to future salary increases or expected returns on investment. The defined-benefits scheme was frozen on 1 January 2016. As a result, there will be no further increases in pension obligations to beneficiaries and no further admissions to the scheme.

The Group's pension schemes in its other countries of operation are of insignificant size, and provide all the social benefits prescribed by law.

18.3 Breakdown of pension scheme costs

in CHF thousand	In Switzerland	Outside Switzerland	2019	2018
Pension scheme contributions from employer	3 699	492	4 191	4 096
Total contributions	3 699	492	4 191	4 096
+/- changes in ECR through asset return, value adjustments etc.	0		0	-85
Contributions and changes in employer contribution reserves	3 699	492	4 191	4 011
Decrease/Increase in company's economic benefit from funding surplus	56		56	200
Decrease/Increase in company's economic obligation towards funding shortfall		-592	-592	706
Change in economic impact on company of funding surplus/shortfall	56	-592	-536	906
Pension scheme expenses as part of personnel cost for the period	3 755	-100	3 655	4 917

19. Other long-term receivables

Other long-term receivables consist mainly of a CHF 31.1 million (prior year: CHF 31.7 million) remaining receivable from Canton Zurich in connection with the sale in 2016 of the Uetikon operating site and the cost of cleaning up the adjacent lake bed (a total of CHF 32.0 million was originally retained in this regard from the sale proceeds of CHF 52.0 million). For further information see also Notes 24 and 26 on short-term and long-term provisions.

20. Trade accounts payable

in CHF thousand	2019	2018
To third parties	66 216	69 711
To related parties and companies	37	35
Total	66 253	69 746

Trade accounts payable for 2019 were down CHF 3.5 million from their prior-year level, as a result of lower demand towards year-end.

21. Other payables

in CHF thousand	2019	2018
To third parties	3 636	4 075
To related parties and companies	0	2
Total	3 636	4 077

The decrease in this item is due to a high prepayment by a Chemistry Division client in 2018.

22. Accrued liabilities and deferred income

in CHF thousand	2019	2018
Accrued interest expense	497	2 053
Income tax owed	925	2 654
Accrued personnel expenses	5 290	5 684
Other accrued liabilities and deferred income	9 541	9 610
Total	16 253	20 001

The CHF 3.7 million decrease in accrued liabilities and deferred income in 2019 is attributable primarily to lower accrued interest expense (which was down CHF 1.6 million) and lower income tax owed (which was down CHF 1.7 million). Interest expense was accrued for two corporate bonds in 2018.

23. Short-term financial liabilities

in CHF thousand	2019	2018
Towards third parties	5 889	125 788
– towards banks	5 532	5 788
– towards holders of corporate bond ¹⁾	0	120 000
– Financial leasing liabilities	357	0
Total	5 889	125 788

¹⁾ unsecured bond, SIX Swiss Exchange “CPH14”, issued 10.7.2014, repayment 10.7.2019

Details of short-term financial liabilities are shown in Note 25.

24. Short-term provisions

in CHF thousand	Environmental protection measures	Restructuring provisions	Guarantee obligations	Other provisions	Total short-term provisions
Opening balance on 1.1.2018	0	4 872	683	0	5 555
Currency impact on opening balance			–3		–3
Additions			123		123
Use		–4 235	–144		–4 379
Releases/reclassification			–93		–93
Currency impact on movements			1		1
Closing balance on 31.12.2018	0	637	567	0	1 204
Opening balance on 1.1.2019	0	637	567	0	1 204
Currency impact on opening balance			–2		–2
Additions		184	350		534
Use		–344	–151		–495
Releases/reclassification	2 579		2		2 581
Currency impact on movements					0
Closing balance on 31.12.2019	2 579	477	766	0	3 822

The environmental protection measures relate to a waste disposal site for which concrete clean-up plans have been approved. The clean-up will be conducted in 2020. The restructuring provisions relate to the closure of the Uetikon site in 2016. The guarantee obligations stem from the Paper and Packaging divisions, and relate to any claims or entitlements arising from customer complaints.

25. Long-term financial liabilities

2019 in CHF thousand	Current + 1 year	Current + 2 years	Current + 3 years	Current + 4 years	Current + 5 years	After + 5 years	Total 2019
Long-term bank loans	6 775	3 000	6 500				16 275
Corporate bond ¹⁾			100 000				100 000
Financial leasing liabilities	249	164	82				495
Total	7 024	3 164	106 582	0	0	0	116 770

¹⁾ unsecured bond, SIX Swiss Exchange "CPH18", issued 12.10.2018

2018 in CHF thousand	Current + 1 year	Current + 2 years	Current + 3 years	Current + 4 years	Current + 5 years	After + 5 years	Total 2018
Long-term bank loans	3 000	7 971	3 000	6 500			20 471
Corporate bond ¹⁾				100 000			100 000
Total	3 000	7 971	3 000	106 500	0	0	120 471

¹⁾ unsecured bond, SIX Swiss Exchange "CPH18", issued 12.10.2018

Financial liabilities for 2019

Instrument	Currency	Amount in currency (thousand)	Amount in CHF (thousand)	Interest rate	Duration	Covenants
Short-term financial liabilities						
Bank loan	CHF		1 500	2.41	30.06.2020	¹⁾
Bank loan	CHF		1 500	2.41	31.12.2020	¹⁾
Current account credit	CHF		1 796	3.90	unlimited	
Current account credit	USD	750	726	6.76	unlimited	
Current account credit	BRL	43	10	–	unlimited	
Financial leasing liabilities	CHF		357	–	various	
Total			5 889			
Long-term financial liabilities						
Corporate bond	CHF		100 000	2.00	12.10.2023	
Industrial bond	USD	3 900	3 775	6.10	01.08.2021	
Bank loan	CHF		12 500	2.41	20.03.2023	¹⁾
Financial leasing liabilities	CHF		495	–	various	
Total			116 770			
Total financial liabilities			122 659			

¹⁾ Repayment in steps; debt ratio max. 2.5 (from 31.12.2019). The debt ratio is calculated as follows: total financial liabilities/EBITDA for the Packaging Division for the last 12 months. This requirement was still being met as of 31.12.2019.

The CPH Group also has an additional CHF 40 million credit facility with Swiss banks.

Financial liabilities for 2018

Instrument	Currency	Amount in currency (thousand)	Amount in CHF (thousand)	Interest rate	Duration	Covenants
Short-term financial liabilities						
Corporate bond	CHF		120 000	2.75	10.07.2019	
Bank loan	CHF		1 500	2.41	30.06.2019	¹⁾
Bank loan	CHF		1 500	2.41	31.12.2019	¹⁾
Current account credit	CHF		850	3.52	unlimited	
Current account credit	EUR	812	915	0.95	unlimited	
Current account credit	USD	1 000	986	6.16	unlimited	
Current account credit	BRL	138	37	4.99	unlimited	
Total			125 788			
Long-term financial liabilities						
Corporate bond	CHF		100 000	2.00	12.10.2023	
Bank loan	EUR	1 000	1 126	0.95	30.01.2021	
Industrial bond	USD	3 900	3 845	4.90	01.08.2021	
Bank loan	CHF		15 500	2.41	20.03.2023	¹⁾
Total			120 471			
Total financial liabilities			246 259			

¹⁾ Repayment in steps; debt ratio max. 3.25 (until 30.6.2018), max. 3.0 (until 30.6.2019), max. 2.5 (from 31.12.2019). The debt ratio is calculated as follows: total financial liabilities/EBITDA for the Packaging Division for the last 12 months. This requirement was still being met as of 31.12.2018.

26. Long-term provisions

in CHF thousand	Major repairs and renovations	Environmental protection measures	Other provisions	Deferred tax liabilities	Total long-term provisions
Opening balance on 1.1.2018	3 702	39 096	1 593	7 433	51 824
Currency impact on opening balance			-13	-103	-116
Additions			18	808	826
Use		-1 003			-1 003
Releases/reclassification			-507	-1 081	-1 588
Currency impact on movements			4	5	9
Closing balance on 31.12.2018	3 702	38 093	1 095	7 062	49 952
Opening balance on 1.1.2019	3 702	38 093	1 095	7 062	49 952
Currency impact on opening balance			-8	-88	-96
Additions			865	310	1 175
Use		-358			-358
Releases/reclassification		-2 579	-8	-615	-3 202
Currency impact on movements			-1	-2	-3
Closing balance on 31.12.2019	3 702	35 156	1 943	6 667	47 468

The provisions for major repairs and renovations relate to the work required on the Perlen weir. The corresponding project was approved by Canton Lucerne in 2019, enabling the work to be performed in the next few years.

Environmental risks arise as a result of the Group's business activities. In connection with the CHF 52.0 million sale of the Uetikon operating site in 2016, provisions of CHF 32.0 million (80% of the CHF 40.0 million estimated total costs) were made for CPH's share in the expense of cleaning up the adjacent lake bed. The remaining 20% of these costs is being met by Canton Zurich. A pilot project and inspections have been conducted for the lake bed clean-up since the site's sale was concluded. A tender invitation for the clean-up work was issued in 2019, and a study was also commissioned on the options available. Additional findings on the clean-up options and the associated costs are awaited in the course of 2020. The corresponding provisions amounted to CHF 31.4 million at the end of 2019 (prior year: CHF 31.7 million). The use of these provisions since their creation in 2016 has been largely for the external consultancy and inspection services required.

The further provisions for environmental protection measures relate to future waste disposal site running cost obligations and a possible transfer to the Canton Zurich Waste Disposal Site Aftercare Fund.

"Other provisions" consist mainly of provisions for agency agreements in the Paper Division.

All provision amounts expected to be paid in the following year are reclassified as short-term provisions (see Note 24).

27. Purchase of business activities and minority shareholdings

The CPH Group acquired no business activities in 2019.

The CPH Group acquired the following business activities in 2018:

- Perlen Papier AG acquired 100% of the share capital of APS Altpapier Service Schweiz AG, Root, Switzerland, effective 1 January 2018.
- Perlen Converting AG acquired 60% of the share capital of Perlen Packaging Anápolis (formerly Sekoya) Indústria e Comércio Ltda., Anápolis, State of Goia, Brazil, effective 1 January 2018.
- Zeochem AG acquired the business activities of Armar AG, Döttingen, Switzerland, effective 1 March 2018 under an asset deal.
- CPH Chemie+Papier Holding AG acquired a further 12% of the share capital of Jiangsu Zeochem Technology Co. Ltd., Lianyungang, China, effective 7 November 2018 and now holds 92% of the company's share capital.

The balance sheet assets and liabilities (at current market values) and the net cash flow acquired on the purchase date are shown below.

in CHF thousand	2019	2018
Current assets	0	-3 477
Fixed assets	0	-2 972
Current liabilities	0	3 347
Long-term liabilities	0	243
Minority interests from investments in business activities	0	427
Minority interests from investments in minority shareholdings	0	-1 603
Net assets acquired	0	-4 035
Cash and cash equivalents	0	4
Subtotal	0	-4 032
Goodwill incl. direct attributable cost	0	-23 833
Net cash flow	0	-27 864

28. Additional corporate governance information

28.1 Capital structure

	2019	2018
Share capital in CHF thousand	12 000	12 000
Registered shares issued	6 000 000	6 000 000
Nominal value per share in CHF	2	2
Market capitalization in CHF thousand	475 200	495 000

The registered shares of CPH Chemie+Papier Holding AG are listed on the SIX Swiss Exchange in the Swiss Reporting Standard segment. The company's share capital amounts to CHF 12.0 million and is fully paid in. The share capital consists of 6 000 000 registered shares with a nominal value of CHF 2.00 each.

28.2 Transactions with related parties and companies

All balances and business transactions between companies within the scope of consolidation were eliminated during consolidation and are not shown here. As in the previous year, all transactions with related parties and companies in 2019 were conducted at market rates. The following transactions were effected for services rendered with companies associated with the CPH Group and its Board members:

in CHF thousand	2019	2018
Weber Schaub & Partner (Peter Schaub)	66	64
Niederer Kraft Frey AG (Manuel Werder)	66	28
UBV Immobilien Treuhand AG, Uetikon	19	9
UBV Immobilien Treuhand Perlen AG, Root	145	120
Total transactions	296	221
Total open liabilities at year-end	26	32

As in the previous year, no loans or credits were granted to related parties in 2019.

28.2.1 Shares held by members of the Board of Directors and Group Executive Management

Shares held by members of the Board of Directors (including related parties):

Number of shares	2019		2019	2018
	Own	Related parties		
Peter Schaub	0	400	400	1 400
Tim Talaat	9 140	43 076	52 216	39 400
Manuel Werder	7 200	42 820	50 020	57 220
Christian Wipf	400	0	400	400
Total	16 740	86 296	103 036	98 420

Shares held by members of Group Executive Management (including related parties):

Name	2019	2018
Peter Schildknecht	200	200
Wolfgang Grimm	60	60
Richard Unterhuber	250	250
Alois Waldburg-Zeil	400	400
Total	910	910

28.2.2 Significant shareholders and numbers of shares held

Name	2019	2018
J. Safra Sarasin Investmentfonds AG	300 250	300 250
Ella Schnorf-Schmid	429 320	429 320
Uetikon Industrieholding AG	2 999 800	2 999 800
Total	3 729 370	3 729 370

29. Net financial liabilities

in CHF thousand	2019	2018
Liquid funds and securities	93 121	89 047
Short-term financial receivables	36	100 322
Total liquid funds and financial receivables	93 157	189 369
Corporate bonds	0	120 000
Short-term financial liabilities to banks	5 532	5 788
Short-term financial liabilities to others/financial leasing	357	0
Total short-term financial liabilities	5 889	125 788
Corporate bonds	100 000	100 000
Long-term financial liabilities to banks	16 275	20 471
Long-term financial liabilities to others/financial leasing	495	0
Total long-term financial liabilities	116 770	120 471
Net financial liabilities	29 502	56 890
EBITDA	87 994	83 121
Debt ratio (net financial liabilities/EBITDA)	0.3	0.7

30. Contingent liabilities and off-balance-sheet business

30.1 Contingent liabilities

As in the prior year, there were no guarantees towards third parties as of 31 December 2019.

30.2 Pledged assets

Real estate of Jiangsu Zaochem Technology Co. Ltd. with a book value of CHF 2.4 million (prior year: CHF 2.5 million) was subject to a CHF 2.4 million (prior year: CHF 2.5 million) lien as of 31 December 2019. Real estate in Müllheim, Germany, with a book value of CHF 10.0 million had been subject to a CHF 6.4 million lien as of 31 December 2018. The lien was cancelled following a loan return in the course of 2019.

30.3 Other off-balance-sheet obligations

Operating lease agreements with notice periods of more than one year amounted to CHF 1.0 million (prior year: CHF 0.5 million), and relate mainly to vehicle leases. They show the following maturities:

in CHF thousand	2019	2018
Below 1 year	405	163
1 to 5 years	615	350
Above 5 years	0	0
Total	1 020	513

Off-balance-sheet obligations relating to rental agreements amounted to CHF 4.7 million (prior year: CHF 2.8 million), and relate largely to rental agreements in Rüti (Switzerland), Utzenstorf (Switzerland) and Whippany (USA). They show the following maturities:

in CHF thousand	2019	2018
Below 1 year	926	350
1 to 5 years	3 211	1 402
Above 5 years	550	1 052
Total	4 687	2 804

Purchase obligations for the acquisition of tangible fixed assets and intangible assets totalled CHF 5.1 million as of 31 December 2019.

30.4 Derivative financial instruments and foreign-currency hedges

As in the prior year, no derivative financial instruments subject to balance sheet reporting were held as of 31 December 2019.

Open foreign-currency hedges as of 31 December 2019

in CHF thousand		2019			2018			
Instrument	Contract value	Positive replacement value	Negative replacement value	Purpose	Contract value	Positive replacement value	Negative replacement value	Purpose
Forward foreign-exchange contracts EUR	115 027	2 535	54	Cash flow hedge	138 850	3 119	29	Cash flow hedge
Forward foreign-exchange contracts USD	15 321	175	7	Cash flow hedge	13 754	139	41	Cash flow hedge
Total	130 348	2 710	61	Cash flow hedge	152 604	3 258	70	Cash flow hedge

The open foreign-currency hedges are forward contracts designed to secure future cash flows.

31. Net result per share

Net result per share is calculated by dividing the net result for the year by the average number of shares entitled to dividend issued, less any treasury shares. The company held an average of 816 treasury shares in 2019 (prior year: 1 414). Since no authorized or conditional capital is currently outstanding, diluted net result per share is identical to the net result per share amount.

	2019	2018
Net result as per consolidated income statement (in CHF thousand) after minorities	48 341	42 293
Weighted average number of shares entitled to dividend	5 999 184	5 998 586
Net result per share (in CHF)	8.06	7.05

32. Treasury shares

in CHF thousand	2019			2018		
	Number	Transaction price (CHF)	Value (CHF thousand)	Number	Transaction price (CHF)	Value (CHF thousand)
Opening balance on 1.1.	1 063	79.08	84	1 766	54.37	96
Purchased	16 584	81.91	1 358	17 051	76.61	1 306
Sold	17 075	81.67	-1 394	17 754	75.85	-1 347
Profit/loss			-3			29
Closing balance on 31.12.	572	79.20	45	1 063	79.08	84

The company held 572 treasury shares at the end of 2019 (prior year: 1 063 shares).

A total of 16 584 treasury shares were purchased on the SIX Swiss Exchange in the course of 2019 (prior year: 17 051 shares) at an average purchase price of CHF 81.91 (prior year: CHF 76.61) per share. A total of 17 075 treasury shares were sold via the SIX Swiss Exchange in the course of 2019 (prior year: 17 754 shares) at an average sale price of CHF 81.67 (prior year: CHF 75.85) per share.

33. Subsequent events

No further events occurred between 31 December 2019 and 14 February 2020 which would require adjustments to the book values of the Group's assets, equity and liabilities or would need to be divulged here. There are also no exceptional pending business items or risks which would need to be mentioned in the income statement.

The Board of Directors approved these consolidated financial statements at its meeting of 14 February 2020. They are also subject to the approval of the Ordinary General Meeting.

List of major shareholdings

	Registered office	Currency	Capital in thousand	Consolidation in %	Consolidation method
CPH Chemie + Papier Holding AG	Root/CH	CHF	12 000	100	F

Consolidated chemistry companies:

Zeochem AG	Rüti ZH/CH	CHF	1 000	100	F
Zeochem L.L.C.	Louisville/USA	USD	36 547	100	F
Zeochem d.o.o.	Zvornik/BA	BAM	2	100	F
Jiangsu Zeochem Technology Co. Ltd.	Lianyungang/CN	CNY	90 000	92	F
Zeochem Pte. Ltd.	Singapore/SG	SGD	1	100	F

Consolidated paper companies:

Perlen Papier AG	Root/CH	CHF	81 000	100	F
APS Altpapier Service Schweiz AG	Root/CH	CHF	100	100	F
Perlen Deutschland GmbH	Munich/D	EUR	100	100	F

Consolidated packaging companies:

Perlen Packaging AG	Root/CH	CHF	24 000	100	F
Perlen Packaging L.L.C.	Whippany/USA	USD	1 000	100	F
Perlen Packaging GmbH, Müllheim	Müllheim/D	EUR	1 300	100	F
Perlen Packaging (Suzhou) Co., Ltd.	Suzhou/CN	USD	13 000	100	F
Perlen Packaging Anápolis Indústria e Comércio Ltda.	Anápolis/BR	BRL	2 464	60	F

Consolidation method:

F = fully consolidated

Changes in the scope of consolidation for 2019:

- Perlen Packaging (Hong Kong) Ltd., Hong Kong/HK was liquidated on 23 April 2019.
- Zeochem AG, Rüti ZH/CH was merged with Zeowest AG, Rüti ZH/CH on 23 June 2019 with retroactive effect to 1 January 2019. Zeowest AG, Rüti ZH/CH was subsequently renamed Zeochem AG, Rüti ZH/CH.

Changes in the scope of consolidation for 2018:

- APS Altpapier Service Schweiz AG, Root/CH was newly consolidated with effect from 1 January 2018.
- Perlen Packaging Anápolis (formerly Sekoya) Indústria e Comércio Ltda., Anápolis, State of Goia/BR was newly consolidated with effect from 1 January 2018.
- A further 12% shareholding in Jiangsu Zeochem Technology Co. Ltd., Lianyungang/CN was acquired on 7 November 2018.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of CPH Chemie + Papier Holding AG and its subsidiaries (the Group), which comprise the consolidated income statement for the year ended 31 December 2019, consolidated balance sheet as at 31 December 2019, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 46 to 72) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach



Overview

Overall Group materiality: CHF 5 250 000

We concluded full scope audit work at seven reporting units in four countries. For one additional company, specific financial statement line items were tested. Our audit scope addressed 77% of the net sales and 90% of the total assets of the Group.

Additionally, we concluded reviews at a further three Group companies in three countries, which addressed an additional 20% of the net sales and 8% of the assets of the Group.

As key audit matter, the following area of focus has been identified:

Assessment of the adequacy of the provisions for environmental measures

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 5 250 000
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How we determined it	1% of net sales
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Rationale for the materiality benchmark applied	We chose net sales as the benchmark because, in our view, it is an appropriate benchmark given the Group's volatile earnings performance in recent years, and it is a generally accepted benchmark for materiality considerations.
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Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors from the PwC network and from a third party. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. The involvement of the Group

auditor was based on audit instructions and standardised reporting. It included telephone conferences with the component auditors, a review of the risk analysis and on-site visits to selected Group companies, where we participated in audit discussions with local management, the local auditor and selected Group representatives.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the adequacy of the provisions for environmental measures

Key audit matter

As at the balance sheet date, short-term and long-term provisions for environmental measures amounting to CHF 37.7 million have been recognised in connection with the closure and disposal of the production site at Uetikon and the obligation to decontaminate and absorb the costs of various landfills and properties.

In view of the magnitude and the significant estimates of future costs for the environmental measures, we consider the completeness and accuracy of these provisions as a key audit matter.

Information regarding the provisions for environmental measures can be found in notes 24 and 26 of the notes to the consolidated financial statements.

How our audit addressed the key audit matter

We performed the following audit procedures:

- Discussions with Management and the Finance and Audit Committee.
- Review and assessment of Management memoranda and file notes concerning the amount of provisions recognised.
- Sample-based testing of the calculations of and the assumptions relating to the cost estimates of the environmental measures.
- Inspection of the proposals supporting the calculations and of the correspondence and minutes of the joint working group set up with the environmental authority of the Canton of Zurich.
- Assessment of whether the disclosure of the provisions complies with the requirements of Swiss GAAP FER.

The evidence we obtained from our audit supports the provisions for environmental measures recognised as at the balance sheet date and the related disclosures.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTSuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Illi
Audit expert
Auditor in charge



Josef Stadelmann
Audit expert

Zurich, 14 February 2020

Income statement

in CHF thousand	Note	2019	2018
Net revenue from sale of goods and services	2.1	5 041	5 500
Other income		342	344
Personnel expense		-3 159	-3 313
Other operating expense		-1 959	-2 469
Additions/Releases of impairment losses on non-current assets	2.2	40 000	4 901
Earnings before interest and taxes (EBIT)		40 265	4 963
Financial income		16 737	12 610
– Income from investments	2.3	11 443	6 731
– Interest income	2.4	5 244	5 695
– Book gains on securities held		0	2
– Other financial income	2.5	50	182
Financial expense		-4 444	-4 474
– Interest expense	2.6	-3 743	-3 739
– Book losses on securities held		-4	-11
– Other financial expense	2.7	-697	-724
Earnings before taxes and extraordinary items		52 558	13 099
Extraordinary, non-recurring or prior-period income	2.8	0	0
Extraordinary, non-recurring or prior-period expense	2.8	0	0
Earnings before taxes (EBT)		52 558	13 099
Direct taxes		-5	-10
Profit/Loss for the year		52 553	13 089

Balance sheet

in CHF thousand	Note	31.12.2019	31.12.2018
Assets			
Cash and cash equivalents and assets held for short-term disposal with a quoted market price	2.9	35 585	37 275
Other short-term receivables		4 517	3 620
– From third parties		4 517	3 620
– From group member companies		0	0
Prepaid expenses and accrued income		22	0
Short-term financial receivables	2.10	0	100 000
Total current assets		40 124	140 895
Financial assets		348 995	338 914
– Long-term receivables from group member companies	2.11	348 995	338 914
Investments	2.12	150 254	150 254
Property, plant and equipment		431	467
Total non-current assets		499 680	489 635
Total assets		539 804	630 530
Equity and liabilities			
Trade payables		226	246
– To third parties		226	246
Short-term interest-bearing liabilities		57	120 000
– Corporate bond	2.15	0	120 000
– Towards third parties	2.13	57	0
Other short-term liabilities		56	126
– Towards third parties		56	126
– Towards group member companies		0	0
Accrued expenses and deferred income	2.14	1 085	2 820
Total short-term liabilities		1 424	123 192
Long-term liabilities		100 000	110 750
– Corporate bonds	2.15	100 000	100 000
– Towards group member companies		0	10 750
Total long-term liabilities		100 000	110 750
Total liabilities		101 424	233 942
Equity	2.16	12 000	12 000
Legal capital reserves	2.17	4 207	15 005
– Capital contribution reserve		4 207	15 005
Legal retained earnings		10 016	10 016
Voluntary retained earnings		359 649	339 478
Earnings available for distribution		52 553	20 173
– Balance brought forward from prior year		0	7 084
– Profit/Loss for the year		52 553	13 089
Treasury shares	2.18	–45	–84
Total equity		438 380	396 588
Total equity and liabilities		539 804	630 530

Additional information

1. Valuation principles used

These financial statements have been compiled in accordance with the provisions on business bookkeeping and accounting specified in the Swiss Code of Obligations (Article 957ff). The major balance sheet items have been capitalized as described below.

No cash flow statement or certain additional notes

Since CPH Chemie + Papier Holding AG provides consolidated financial statements in accordance with recognized (Swiss GAAP ARR) accounting standards, it has – as permitted under the relevant legal provisions – elected not to provide details of auditors' fees or a cash flow statement in the present accounts.

Financial assets and investments

Financial assets are stated at their nominal value less any value adjustments required. Investments are stated at their purchase price less any value adjustments required. Investments are valued individually if they are material, and are not usually grouped together for such valuation because of any similarity.

Treasury shares

Treasury shares are shown at their original purchase price. The treasury shares held are shown as a negative item in equity. If they are later sold, the resulting profit or loss is taken directly to voluntary retained earnings.

Changes to shareholdings directly held

There were no changes to shareholdings directly held in 2019. In the prior year, a further 12% of the share capital of Jiangsu Zeechem Technology Co. Ltd., Lianyungang/CN was acquired on 7 November 2018.

Foreign currency positions

Foreign currency positions have been translated into Swiss francs at the following conversion rates:

Foreign currency	2019 income statement	2019 balance sheet	2018 income statement	2018 balance sheet
EUR	1.1120	1.0870	1.1550	1.1270
USD	0.9940	0.9680	0.9780	0.9860

The balance sheet conversion rates are the rates that ruled on the balance sheet date of 31 December, while the conversion rates used for the income statement are the average rates for the year.

2. Notes on the financial statements

CPH Chemie + Papier Holding AG domiciled in Root

The company employed an average of six persons in 2019 (prior year: six persons) in full-time-equivalent terms.

2.1 Net revenue from sale of goods and services

The CHF 5.0 million in this item (prior year: CHF 5.5 million) represents the net revenue from goods and services provided to subsidiaries by the holding company and invoiced accordingly.

2.2 Additions/Releases of impairment losses on non-current assets

In view of the positive equity situation at subsidiary Zeechem AG, Rüti ZH/CH, CHF 40.0 million of previous impairments to an intercompany loan were reversed. In the prior year, in view of the positive equity situation at subsidiary Perlen Papier AG, Root/CH, CHF 4.9 million of previous impairments were reversed.

2.3 Income from investments

This item includes profit distributions by certain subsidiaries.

2.4 Interest income

Interest income stems predominantly from intercompany loans. As in the previous year, an interest rate of between 1.0% and 3.0% was applied in 2019.

2.5 Other financial income

This item consists primarily of income from securities and the positive net impact of currency movements on foreign-currency amounts held.

2.6 Interest expense

This item consists largely of the CHF 3.7 million (prior year: CHF 3.7 million) interest paid on the CHF 120 million 2.75% corporate bond (duration 10 July 2014 to 10 July 2019) and on the CHF 100 million 2.00% corporate bond (duration 12 October 2018 to 12 October 2023).

2.7 Other financial expense

Other financial expense for 2019 consists largely of currency losses on loans to subsidiaries in foreign currencies (CHF 0.6 million) and ordinary financial expense (CHF 0.1 million). Prior-year other financial expense consisted largely of the cost of the issuance of the new corporate bond (CHF 0.5 million), currency losses on loans to subsidiaries in foreign currencies (CHF 0.1 million) and ordinary financial expense (CHF 0.1 million).

2.8 Extraordinary, non-recurring or prior-period income and expense

No such amounts were earned or incurred in 2019 or 2018.

2.9 Cash and cash equivalents and assets held for short-term disposal with a quoted market price

in CHF thousand	2019	2018
Cash and cash equivalents	35 560	37 246
Assets held for short-term disposal with a quoted market price	25	29
Total	35 585	37 275

2.10 Short-term financial receivables

Short-term financial receivables for 2018 included the funds generated by the CHF 100.0 million corporate bond issue of 12 October 2018, which were used to repay the CHF 120.0 million CPH 2014–2019 corporate bond. The amount was invested in a fixed-term deposit which matured on 9 July 2019.

2.11 Long-term receivables from group member companies

Long-term receivables from group member companies increased by CHF 10.1 million to CHF 349.0 million in 2019, following the reversal of a previous CHF 40.0 million impairment to an intercompany loan. Loans to subsidiaries for a net total of CHF 29.9 million were repaid.

2.12 Investments

Name and legal form	Domicile	Remarks	Currency	Holding in 2019		Holding in 2018	
				Capital in thousand	Capital/Voting rights	Capital in thousand	Capital/Voting rights
Zeochem AG ¹⁾	Rüti ZH/CH	Merged with Zeowest AG on 1.1.2019	CHF			14 000	100 %
Zeochem AG (ex Zeowest AG) ¹⁾	Rüti ZH/CH	Renamed from Zeowest AG to Zeochem AG on 1.1.2019	CHF	1 000	100 %	1 000	100 %
Zeochem L.L.C.	Louisville/USA		USD	36 547	100 %	36 547	100 %
Jiangsu Zeochem Technology Co. Ltd. ¹⁾	Lianyungang/CN		CNY	90 000	92 %	90 000	92 %
Zeochem d.o.o. ¹⁾	Zvornik/BA		EUR	2	100 %	2	100 %
Perlen Papier AG ¹⁾	Root/CH		CHF	81 000	100 %	81 000	100 %
APS Altpapier Service Schweiz AG	Root/CH	Purchase as of 1.1.2018	CHF	100	100 %	100	100 %
Perlen Deutschland GmbH	Munich/D		EUR	100	100 %	100	100 %
Perlen Packaging AG ¹⁾	Root/CH		CHF	24 000	100 %	24 000	100 %
Perlen Packaging GmbH, Müllheim	Müllheim/D		EUR	1 300	100 %	1 300	100 %
Perlen Packaging L.L.C.	Whippany/USA		USD	1 000	100 %	1 000	100 %
Perlen Packaging (Suzhou) Co., Ltd.	Suzhou/CN		USD	13 000	100 %	10 400	100 %
Perlen Packaging Anápolis Indústria e Comércio Ltda.	Anápolis/BR	Purchase as of 1.1.2018	BRL	2 464	60 %	2 464	60 %
Perlen Packaging (Hong Kong) Ltd.	Hong Kong/HK	Liquidation 23.4.2019	HKD			100	100 %

¹⁾ Directly held by CPH Chemie + Papier Holding AG

There were no changes to investments in 2019. In the prior year, CHF 4.9 million of previous impairments at subsidiary Perlen Papier AG, Root/CH were reversed in view of the positive equity situation.

2.13 Liabilities towards pension schemes

There were no liabilities towards pension schemes as of 31 December 2019 (prior year: CHF 0.0 million).

2.14 Accrued expenses and deferred income

Accrued expenses and deferred income includes CHF 0.4 million in accrued interest on corporate bonds (prior year: CHF 2.0 million) and accruals on employees' salary and vacation entitlements.

2.15 Corporate bonds

This item relates to the CHF 100.0 million 2.00% unsecured corporate bond (SIX code CPH18) issued on 12 October 2018 and maturing on 12 October 2023. The bond is listed on the SIX Swiss Exchange.

2.16 Share capital

Share capital consists of 6 000 000 registered shares with a nominal value of CHF 2.00 per share. Uetikon Industrieholding AG, Uetikon holds 49.99% (prior year: 49.99%) of share capital. For the shares held by members of the Board of Directors and other significant shareholders, please see Section 28.2 of the notes to the consolidated financial statements.

2.17 Legal capital reserves

The capital contribution reserve derives from the reduction in nominal value in 2018.

2.18 Treasury shares

CPH Chemie+Papier Holding AG held 572 treasury shares at the end of 2019 (prior year: 1 063 shares), at an average purchase price of CHF 83.91 (prior year: CHF 79.08). A total of 16 584 treasury shares were purchased on the SIX Swiss Exchange in the course of 2019 (prior year: 17 051 shares) at an average purchase price of CHF 81.91 (prior year: CHF 76.61) per share. A total of 17 075 treasury shares were sold via the SIX Swiss Exchange in the course of 2019 (prior year: 17 754 shares) at an average sale price of CHF 81.67 (prior year: CHF 75.85) per share.

Guarantees to third parties

Contingent liabilities amount to CHF 41.2 million (prior year: CHF 29.8 million), of which CHF 31.2 million (prior year: CHF 29.8 million) consists of guarantees issued by CPH Chemie+Papier Holding AG to Swiss banking institutions in respect of subsidiaries' credit limits and overdraft facilities. CPH Chemie+Papier Holding AG has also provided a guarantee of CHF 10.0 million to Canton Zurich should Zeochem AG be unable to meet the outstanding costs of the inspection, monitoring and clean-up of a waste disposal site.

Pledged assets

As in the prior year, no assets were pledged at the end of 2019.

Joint and several liability

CPH Chemie+Papier Holding AG is jointly and severally liable towards the Swiss federal tax authorities in Bern for current and future value-added tax payments of the CPH Group (group taxation).

Assets subject to reservation of ownership

The book value of leased property, plant and equipment amounts to CHF 0.0 million (prior year: CHF 0.0 million).

Leasing liabilities

The liabilities on leased vehicles amount to CHF 0.1 million (prior year: CHF 0.1 million).

Remuneration of members of the Board of Directors and Group Executive Management

The remuneration paid to members of the Board of Directors and Group Executive Management is detailed in the Remuneration Report on Pages 33 to 37.

Subordination agreements

Subordination agreements have been concluded between CPH Chemie+Papier Holding AG, Perlen and Zeochem AG, Rüti ZH amounting to CHF 40.0 million (prior year: CHF 40.0 million).

Subsequent events

None.

Recommendation on the appropriation of available earnings

Movements in earnings available

in CHF thousand	2019	2018
Balance brought forward from prior year	20 173	7 084
Appropriation of reserves available for distribution by resolution of the General Meeting		
To legal retained earnings	0	0
To voluntary retained earnings	-20 173	0
Dividend to shareholders	-10 798	-3 899
Profit	52 553	13 089
Release from capital contribution reserve	10 798	3 899
Earnings available at end of year	52 553	20 173

Board's recommendation to shareholders on the appropriation of available earnings

in CHF thousand	2019 Board recommendation	2018 General Meeting resolution
Earnings available	52 553	20 173
Release from capital contribution reserve	0	10 800
Dividend to shareholders	0	-10 800
Transfer to voluntary retained earnings	-52 553	-20 173
Balance of earnings to be carried forward	0	0

Repayment of reduction in nominal value

The Board of Directors will propose to the Ordinary General Meeting of 17 March 2020 that the nominal value of the CPH Chemie+Papier Holding AG registered share be reduced by CHF 1.80 from CHF 2.00 to CHF 0.20, and that the CHF 1.80-per-share reduction amount (total CHF 10.8 million) be repaid to shareholders.

After the repayment of this nominal value reduction amount, the company's share capital will total CHF 1.2 million, fully paid in, consisting of 6 000 000 registered shares with a nominal value of CHF 0.20 per share. The nominal value reduction amount is expected to be repaid to shareholders in June 2020, in accordance with the Swiss legal procedures regarding such reductions. Further information will be provided on the CPH website in due course.

For the 2018 financial year, the Ordinary General Meeting of 19 March 2019 resolved the payment of a dividend of CHF 1.80 per share, which was distributed in the form of a release from the capital contribution reserve.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of CPH Chemie + Papier Holding AG, which comprise the income statement for the year ended 31 December 2019, balance sheet as at 31 December 2019 and notes to the financial statements, including a summary of significant accounting policies.

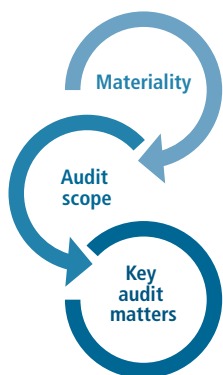
In our opinion, the financial statements (pages 76 to 81) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach



Overview

Overall materiality: CHF 4 000 000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Valuation of long-term receivables from Group companies and of investments in Group companies

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality CHF 4 000 000

How we determined it 0.7% of total assets

Rationale for the materiality benchmark applied We chose total assets as the benchmark for determining materiality because it is a generally accepted benchmark for materiality considerations relating to a holding company.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of long-term receivables from Group companies and of investments in Group companies

Key audit matter

We consider the valuation of long-term receivables from Group companies and of investments in Group companies as a key audit matter. These items are disclosed on the balance sheet in the amounts of CHF 349 million and CHF 150 million, respectively.

The valuation of long-term receivables from Group companies and of investments in Group companies depends on the financial substance and profitability of the subsidiaries. Hence, there is a risk that write-downs could be necessary if Management's expectations are not met.

Please refer to notes 2.2, 2.11 and 2.12 in the notes to the financial statements.

How our audit addressed the key audit matter

We performed the following audit procedures with regard to the valuation of long-term receivables from Group companies and of investments in Group companies:

- For long-term receivables from Group companies, we tested the recoverability of the recognised amounts by comparing them with the debtor's net assets at Swiss GAAP FER book values.
- For significant investments in Group companies, we tested the recoverability of the investments based on the net assets valued in accordance with Swiss GAAP FER or, where necessary, on the basis of Management's capitalised earnings estimates.
- In addition, we examined whether appropriate provisions or impairments were recognised in the event that letters of comfort or subordination agreements were accorded.

Our audit supports the amounts recognised by Management with regard to long-term receivables from Group companies and investments in Group companies.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTSuisse:

<http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Illi
Audit expert
Auditor in charge



Josef Stadelmann
Audit expert

Zürich, 14 February 2020

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Disclaimer concerning future-oriented statements

This Annual Report contains future-oriented statements about CPH that are subject to risk and uncertainties. These statements reflect the management's opinions at the time of the Report's compilation, but they may deviate from actual future events.

This Annual Report is also available in the original German.